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No Peace Treaty for Japan

Conclusion of peace with Japan appears to be far away; the wrangling of the former Allies, now facing each other in a bitter "cold war," frustrates the normalisation of international affairs. From the Japanese viewpoint the delay in regaining sovereignty is disappointing and cannot but create a rankling ill-will against the ex-Allies.

It is now 3½ years after the end of war and the American Occupation is still in Japan, in full force, wasting the U.S. taxpayers' money and contributing nothing positive. A small American set-up of experts and "advisers" should suffice to guide and control Japan which has been disarmed and completely deprived of the means to build up a war-making machine challenging any third rate power of the day. The GIs can be sent home or to such strategic areas now selected as danger zones, for attack or defence. Japan will not figure in the future war strategy to any great extent, she might easily become a liability to America while the USSR cannot be expected to invade Japan as long as the U.S. Navy is around.

The American armed forces in Japan have outlived their purpose which was the enforcement of the terms of surrender and the directives issued by General MacArthur. Since the Japanese people have proved obedient and realistic, cooperating with the conqueror and gaining his confidence, the display of America's armed strength in Japan is useless. Naval and airforce bases may be conveniently retained by the U.S. as is being done elsewhere in America's Pacific. Even if a peace treaty with Japan can be concluded, which could only be attempted with Moscow's participation, the U.S. will wield paramount influence in Japan. Economic dependence on the U.S., and to a lesser extent on the British Commonwealth, will continue to shape Japan's internal and external policies. Every country in the Pacific, America's undisputed lake, will be well advised to take its cue from Washington. The Japanese are realists and they acknowledge the principle that might is right—and always was—and therefore can be re-

lied upon, as long as America remains the greatest power on earth reinforced by atomic bombs which pile up and radioactive clouds which gather, to toe the line.

The policy makers of Washington can afford to relax the exercise of the authority of the victor and to permit the full reinstatement of the sovereignty of the Japanese Government. Less conspicuous but still effectual, a small staff of experts from the US War and State Departments can get the same results in Japan.

The common people of Japan have come to appreciate the good will and the readiness of assistance of the U.S. but prolonged occupation, even benevolent as it has been, must eventually arouse resentment. Those who are most likely to profit from such smouldering resentment are the Communists, the only group in Japan which, quite daringly, opposes the semi-permanence of the GIs in Japan. It is only natural that the people admire the Communists for their courage in demanding the termination of the Occupation although not many will come out openly and politely suggest it to Gen. MacArthur.

In the great holocaust now under active fomentation the Japanese isles have figured as a sort of bastion or fortress; but recently American strategists' ideas have changed and it is now considered that Japan, in case of world war III, may have little or any value with the possible exception of a few subsidiary bases for the US Navy and Airforce. Everything in the U.S. is now subordinated to the supreme task of waging a world contest for the settling of the question: American century or Soviet millennium. The Japanese people are not feeling very reassured about the role their country may be forced to play in this contest, particularly after they have solemnly fore sworn to engage ever in any war—a result of the smashing disappointment of the lost "Greater East Asia" campaign in the unpalatable company of Hitler's world conquerors.

There is now much heart-searching in America about the roots and consequences of the last war and it appears to many over there that by eliminating one adversary another much more frightful challenger has arisen. But

the effects of the late war cannot be undone, at least not very quickly. The situation which led to the outbreak of the war in the Pacific is now viewed from a different angle with a more detached appraisal of the erstwhile enemy's motives and propelling causes. The opening of Japan to world trade, a matter to the credit of America, led to her dynamic development, especially after 1904, as a modern industrial nation, competing for markets and the requisite spheres of influence. A good pupil of her teachers Japan soon showed her potentialities and became a "peril". To say that the conflict of 1941 was in the stars is only another way of stating that conditions created an explosive situation which had eventually to issue into war. The conflict was predetermined; sooner or later Japan had to make her bid for supremacy in the Far East; she lost because her allies were defeated. The late Prince Fumimaro Konoye used to warn his people during the war years that the outcome of the conflict would decide the rise or fall of the Japanese Empire—and when Hitler fell so did the Japanese Empire. But there is a new rise for the Japanese people in the offing.

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Retrocession of Hongkong?

Since the Kuomintang's collapse which became manifest when Chiang Kai-shek, on January 21, retired the question of Hongkong's "security" has been discussed here, in London and elsewhere. Although the Chinese Communist Party has not made any statement in respect of the status of Hongkong as a British Colony while Kuomintang leaders have been very explicit, and hostile, when it came at various occasions since the end of world war II to airing of opinions about Hongkong (and Macao), some anxiety as to the "true intentions" of the CCP as the new master of China, or the better part of China, has been aroused.

The ultranationalists of Canton and the unsavoury rightist clique of the Kuomintang with their insidious secret service have at several occasions tried their best to create conditions of ill-feeling between the Chinese and foreigners, and the question of Hong-

kong's remaining a British Colony or its retrocession, by negotiations accompanied by blackmail, has been thoroughly publicised in the vernacular press as well as made the object of many interpellations in Canton and Nanking and of mischievous resolutions by nominated legislative bodies.

The Communist Party has not gone on record with any statement and their press has also not indicated any revisionist intention.

The outrage of Shameen when the British Consulate was burned, the Union Jack torn down and destroyed, and fire was set to many private British buildings in Canton clearly showed to what length the Kuomintang led irredenta was prepared to go.

The party led by Mao Tse-tung, Chu Teh, Chow En-lai and Li Li-san behaves responsibly. It is in their interest to foster good will abroad not to rob themselves of the assets so far gained in international friendships. To impute to the Chinese CP any aggressive ambitions with regard to Hongkong means to provoke them. Any uncalculated-for provocation is unwise and in the case of the Chinese CP it might prove detrimental to all interests concerned.

The Colony of Hongkong is not endangered by reason of the emergence of the CCP to decisive authority in China, on the contrary its legal status and its trading outlook as regards a pacified and honestly administered China have brightened. If this is realised—and it is fully realised by important interests who continue with their ambitious construction projects in this British Colony—and the virtues of the Chinese Communist Party, contrasted with the misrule of the Kuomintang, are appreciated, as they must be appreciated, there should be every promise for mutually satisfactory and profitable Anglo-Chinese relations in the future.

What has to be faced, however, is an extension of Communist propaganda among the Chinese, within China or overseas. That the youth will avidly absorb the teachings of Marx and all its contemporary additions, can be taken for granted—to very many the Marxian way of life is the way of the inexorable future. Together with the rest of the "red" press the CCP propaganda will beat the "anti-Imperialist" gong although the facts of "Imperialism" are understood as the inevitable corollary of strength—whether British, American, Japanese or Russian (the greatest modern empire builders after the British)—and as a force beyond morality. Much of the forms of Communist propaganda are naive and simple and there is a degree of hero-worship which has flowered into idolatry, the very negation of democracy. In the hard fight for the soul of the common people

Communist propaganda and policy unfortunately chose to be intolerant.

With these developments one has to reckon, intelligent and enlightened, truly democratic and socialist policies, fully explained to the citizens, can form a counter-weight against the universal appeal of present-day Communism, and thus they might lead to the avoidance of violence and the gradual adjustment of modern society to the historic conditions created by scientific and technological progress.

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The Undoing of the Gordian Knot

The troglodytes of Yenan are emerging into the sunlight of international recognition as the masters of "new democratic" China. There will be the usual diplomatic spiel of de facto and de jure recognition but this should not distract the traders to do business while it can be done. Day-dreaming red-hunters will find no response from the hard-boiled merchants in this, or for that matter in any, part of the world. On with the business is the motto.

How red are the reds, and whether the colour is fast, is of the same interest as the question: Will Mao turn out to be another Tito. That is all twaddle, shmoos. The Communist suffusion over China is practically complete, the common people—and China is full of them—do welcome the change of authority, and the welcome extended to the victorious People's Liberation armies in the cities of North China is the genuine thing. What opposition there still remains is bound to crumble before the next and probably final offensive of the Chinese Red Army. The Kuomintang's disjecta membra are a pitiful sight; the elite of the once so powerful and dictatorial party has been scared away from Nanking by the wails of ban-shees, and the wailing continues as far as Canton and Taipeh.

Slowly the Communists in Asia are undoing the Gordian knot and see the king of Phrygia's challenge come true. Asia's peasant masses, if politically awakened, cannot turn in any other direction but the one which China has been following, imperceptibly slow at first but with gaining momentum since the end of world war II. Now, when the Communist Party is taking over the vast and disorganised country called China proper, in addition to already consolidated Manchuria, the problems before it are so formidable as to defy solution unless foreign assistance can be secured. The outlook in this respect is, for the Communist Party, disheartening. Nevertheless, in the spirit of the

Stakhanovites the CP of China are basing their and the country's future on one thing: self-reliance! And they better had; from the USSR little material assistance can be expected while the industrial nations of Europe and America will observe to the letter the principle of reciprocity, i.e. no credits and donations but a perfect balance of trade and payments.

On the performance of China's export industries will depend the extent of the supply of foreign materials for the nation's rehabilitation. The present level of production and prosperity is very low; China is still existing under material conditions of pre-industrial Europe and the majority of the rural population lives not unlike their ancestors at the dawn of recorded history. For her size China's industrial potential is poor, she does not count as a military nation since not even the basic industries for harnessing a war machine have been established. To entertain therefore any serious apprehensions about the "new democratic" China becoming a valuable ally of the USSR reveals naivete; but those, especially in the U.S., who glibly talk about the "menace" of Communism in China have other motives in mind than to rouse their world segment to an appreciation of the true facts.

China's name must now be re-established in the world; the viciousness of the Kuomintang autocracy has brought the honour of their country into disrepute. Racism, undigested copying of the West, unparalleled graft and corruption, unmitigated exploitation of the people—that was the Kuomintang. During over three decades of rule little progress was achieved; as far as the Western world was able to judge there was nothing creative, no inspiration, no new value coming out of China—only thunder and confusion. Intellectually she was a desert during the Republican past, culturally she deteriorated. There was however some Confucian revivalism, as it suited the autocratic system of the Kuomintang. The urban society became ever more degraded and decadence was unchecked. Communism was thus the only hope of China's youth for a renaissance of the people. Therefore, on the surge of national desperation the Communist Party is carried up to the glory of today. The people are behind the Party—as one more proof for the confidence of the people in the new regime one may take the flat scrip of the People's Bank in North China; in spite of the harrowing experiences made with paper money during the last few years of vicious inflation, the people generally trust in the honesty and efficiency of the new authorities, they keep the scrip and do not, like in Nanking China, throw it to the four winds.

Unlike the French Revolution assignats, which were secured on land, the assignats of North China are secured on food and textiles; but the main thing, on which the new money of China's stability or annihilation will depend, is the people's confidence.

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Focus on China

During the past week a lull has crept over the scene in North China, keeping onlookers, who are proverbially said to see most of the game, guessing as to future developments. It is however difficult to gauge at this stage what is taking place behind the scenes. Acting President Li Tsung-jen continues to send deputations to make contact with the communist leaders who on their part seem loath to establish contact with him. At the same time the communist armies have come to a pause on the banks of the Yangtze, and Nanking, Hankow, Shanghai remain as they were, not knowing whether they will be swept into the communist orbit or left a little longer. The feeling is however gaining ground that summer may be upon us before any serious large scale attempt is made to take them over.

Perhaps it is in consequence of this belief that life in the towns mentioned continues to follow the usual trend. Foreigners in China were somewhat startled during the past week to learn of the execution in Hankow by the National Government's Military Governor of a number of wealthy Chinese businessmen for gambling in gold yuan, the value of which rose spectacularly to 1,500 to the US dollar and fell equally spectacularly after the execution to 500, —though whether there were any dealings at this figure is not known. According to the general opinion it would seem that the Military Governor whose troops, contrary to those in some other parts of China, are well-disciplined and well-fed, and who handle their guns as if they might be able to use them when put to the test, is determined to show the communists that he will fight for Hankow if obliged and that until then he will keep order in the city.

All this gives rise to the impression which is undoubtedly gaining ground that future action against the communists may be based upon the individual stand taken by each city, unless and until the Government has made up its mind whether to attempt the formation of a coalition or to carry on from South China. At the present moment the tension between Acting President Li Tsung-jen and Dr. Sun Fo over the peace terms appears to be increasing. Dr. Sun, it is said, desiring intervention by the United Nations, while the Acting President would accept peace by direct negotiation. Shanghai, wishing to conclude the war of nerves, has sent a delegation of its own to Peiping, which

RIISING PRODUCTION IN BRITAIN

Over the whole field of British industry, output, production and work in progress improved considerably in 1948. The official production index showed a remarkable rise of 10 per cent. over 1947, but it is hardly a fair comparison because many industries had to close down for a spell in the early months of 1947 when abnormal weather held up fuel supplies. Still, apart from this, there was a surprising improvement in production, a rise of seven per cent. from April onwards leaving out of account the misleading comparison of the early months. A seven per cent. increase in production in one year is a good performance, even though part of it came from employing more workers and from a slight increase in the weekly hours worked in many industries. The actual increase in output-per-man-hour, over the whole range of

industries, was in the region of five per cent. In other words, a team of men who turned out 100 automobiles a day in the summer and fall of 1947, turned out 105 a day in 1948; and the cotton workers who spun a 100 pounds of yarn a year ago are spinning 105 pounds today. The results which have been recorded by most industries are much the same.

Reason For Increase

The general rise in productivity is the result in some cases of harder work, with a longer working week and greater physical efforts; in other cases it is the result of installing new machinery, improving the layout of work or introducing new methods of production. Whatever may have been the reasons, it was clear at the end of 1948, that Britain's industries were producing more goods than ever be-

is apparently being received, by the communists. Chiang, in his Fenghua retreat, is biding his time for a last show of "bitter end" fighting—or setting sail for the U.S., via Taiwan.

The Government during this momentary calm has distributed itself over the vast country that still remains to it. The main portion, following Dr. Sun Fo, prefers the peaceful atmosphere of Canton to the uncertainty of Nanking, where some officials remain to keep the Acting President company. Other officials have taken their departments with them to Formosa, which is becoming as overcrowded as Canton and where the people are developing an even more pronounced dislike of the officials who are supposed to "govern" them than they previously had; their feeling being that the Japanese at least had given them something in return for what they took, whereas the present army of officials only take, without giving. The latest department to transfer is the Navy Department, which has gone from Tsingtao to Amoy. It is difficult to see how all these different parts of the Government can be set to work, but the Chinese have a remarkable facility for getting going given the smallest opportunity, consequently Dr. Sun Fo may find it not too difficult to get a semblance of government functioning.

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To turn to the communist side of the picture, it must not be overlooked that the area under their control is a large one, comprising Manchuria, Peiping, Tientsin, and Central and East China as far as the Yangtze. They may well find it obligatory to pause for awhile and consolidate their gains. They have taken in Peiping and Tientsin two very important towns, the latter of which in particular is commercially important as well as being a large industrial centre. They will have to find from among their ranks, most of whom are familiar with agricultural districts but who have had little or no experience with modern industry, men who can govern a large and

complex city such as Tientsin, acting as a link with the Western world with its advanced methods of trading. They will also have to find governors and officials for large districts comprising every style of community. How far they are likely to succeed is the point which interests the businessman at the moment, who from the vantage point of Hongkong is endeavouring to sum up the situation and at the same time be ready to despatch goods at a moment's notice wherever they are wanted, provided they can be traded. Unless trade is to be carried on under the barter system, such as the arrangement under which the Kailan Mining Administration are delivering coal to Shanghai in exchange for flour for Tientsin and the north, the question of foreign exchange will have to be decided.

The main difficulty to be faced by traders in dealing with the communist areas is the making of contacts with their former associates, ascertaining the kind of cargo required, getting familiar with the different method of government in each district, obtaining information as to the means of transport available, and above all ascertaining whether the communists will permit foreign trading at all. The fact that an American vessel has been permitted to call at Taku Bar, the anchorage for Tientsin, seems to indicate that trade will be permitted. In connection with Tientsin, though no details have yet been received as to the set-up of the city government, it is of interest that residents who had come to Hongkong during the period of uncertainty preceding its taking over, are now seeking passages back to that city. This would indicate that, at least in so far as Tientsin is concerned, optimism is beginning to gain ground. This may be accounted for by the information recently obtained that the waterworks and power plants resumed operation on "the day of liberation," the banks resumed business, and factories are considering reopening, while planning for future business has been started. Also, the Tientsin-Pukow Railway has been reopened from Tsinan to Kuchow.

fore in peace-time, and had more work in progress. Many industries were breaking production records, particularly the iron and steel, engineering, automobile and electrical industries. And it looks as though this rising trend of production is still going up, even though the experts predicted that it would taper off after the big spurt which began at the end of last summer and in a few weeks raised the production index to a point 27 per cent. above 1946.

Some industries—coal, cotton, wool and clothing among them—have helped to raise the general level of output, but are not up to their pre-war production because they are desperately short of labour. The coal industry shows how the statisticians went wrong. They set the coal target at 211 million tons; 200 millions from the deep mines, 11 millions from open-cast workings. At the end of the year, the open-cast coal target had been passed with a surplus of nearly a million tons, but the year's mined-coal output was about three-and-a-half million tons below the target. It was assumed that the mines would gain 80,000 men during 1948, but they only recruited an additional 7,000. The mined-coal target certainly would have been reached and passed, if the number of miners had come up to expectations. As it was, 1948 coal output was 1½ million tons up over 1947.

Next Four Years

Britain has reached a state of full employment, with a job for every worker and almost every worker in a job, and so a continuous free flow of workers into the undermanned industries can no longer be expected. From now on, any further increase in production must come from improved productivity, with a bigger output from each worker in all industries. Britain's economic director, Sir Stafford Cripps, has asked for a 2½% increase in productivity each year, for the next four years. He got more than he asked for in 1948; and again, coal-mining shows what happened. At the beginning of the year the average daily output of coal-face workers was 58 hundredweight, just under pre-war production. At the end of 1948 daily output had been raised to 64 hundredweight, a little above the pre-war figure. This was a big improvement. The productivity of the coal miners increased by one-tenth in a year. A daily output of just over three tons at the coal face is not high by American standards (where geological conditions facilitate easier methods of extraction), and it is brought down to little more than one-ton-per-man by the time the coal is hauled to the put shaft and lifted to the surface, but it is a good performance in Britain's deep, narrow-seamed mines. Much of her coal comes from seams less than three feet thick in mines where it is difficult to install modern equipment, but the National Coal Board and the Mineworkers' Union have worked out a joint plan designed to overcome the natural obstacles. They aim at opening new workings in

PROBLEMS OF SIAM

The four principal problems of Siam which the present government under Marshal Bipul Songgram is trying to bring near to a solution are connected with (1) the Chinese minority's predominant position in the economic life of the nation; further immigration from China; slow or non-assimilation by Chinese;—(2) introduction of political reforms and broadening of democratic basis of government;—(3) modernisation of the country's economy; increase of production and raising of standard of living of the people;—(4) cultural reforms aiming at enhancement of literacy among the masses and intensification of higher education, spreading of western teaching and science.

The Chinese Problem.

The Chinese minority has increased to such numbers that the Siamese people are fearing for the future integrity of their race. The pre-war (1941) total population of Siam was around 16.9 million, and after the war (1946) an official estimate gave the

the best and mille-grade mines, to which haulage men will be transferred, some of them from less favourable mines, after they have been trained in coal-cutting. Mechanical conveyors will take the place of the haulage men, and the result is expected to be another big rise in productivity. Whether it will be a repetition of the 10 per cent. improvement recorded last year remains to be seen, though another rise at that extraordinary rate is within the realms of possibility. The mines are now beginning to show returns for the immense programme of modernisation and re-equipment which was begun when the industry came under public control, and which is now being speeded-up.

Bigger Output per Worker

The purpose of all the planning and development in the coal industry, as in other industries, is to get a bigger output from each worker. And the benefits of improved productivity will not be gathered by Britain alone. The improved output of coal last year, for instance, doubled Britain's coal export. The Government asked for 16 million tons for export and ships bunkers in 1948, and the programme was fulfilled. Nearly 7 million tons of coal were shipped to Marshall-Aid countries as part of Britain's contribution to the European Recovery Programme, and the Government has undertaken to double that amount this year. This E.R.P. undertaking will be met, even if it means taking coal from Britain's home consumers, but it is expected that 1949's coal production will be increased enough to provide 25 millions tons for export and bunkers, including the 14 million tons for E.R.P., without any reduction in home supplies. And if this is done, Britain will be in sight of her pre-war coal production and her pre-war coal export with 55,000 fewer miners.

total at 18.1 million. The density of population is 35 per square kilometre (total area of Siam 518,000 sq.km) which compares with Japan, China proper and Malaya respectively 197; 99; and 37. The Chinese minority in Siam in 1910 was stated to be 1.4 million and in 1937, due to official computations taking Chinese born in Siam as Siamese, only 524,000. Current estimates put the Chinese population in Siam at 3½ to 4½ million. During 1946 and 1947 very large numbers of immigrants mainly from Swatow and Hainan left for Bangkok where no restrictions had been enforced and only after the stream of immigrants showed no abatement were quotas instituted.

In commerce and retail trade the position of the Chinese is out of all proportion to their actual numbers; although after the war the Siamese authorities have tried, with some success, to foster native business enterprises the Chinese merchant to this day continues in virtual control of major phases of Siam's internal and external trade. With their economic influence growing, the native population, under the impact of the spread of nationalism in the Far East and apprehensive of the ultimate aims of the Chinese immigrants in its midst, has become restive and often strongly hostile to the foreigners from China.

The present government, under control of a patriotic section of the army whom Marshal Songgram has been leading for many years past, is slowly introducing measures to curb the expanding Chinese influence and to encourage Chinese assimilation. All educated Siamese realise the danger to their national entity which has developed over several decades due to the uncontrolled immigration of Chinese and the relative superiority of the Chinese newcomers.

Tropical conditions are not favourable to man's fullest development and the mode of life in countries like Siam is entirely different from those in the temperate zone. Vigour and energy are qualities which the Chinese, in comparison with the Siamese, possess to a much larger extent. After one or two generations, however, the immigrant's descendants have become acclimatised and do not greatly differ from their Siamese contemporaries. Besides geographically conditioned differences between the Siamese and Chinese immigrants, there are cultural differences which are separating the two peoples; the philosophy of life which the Chinese bring to Siam does not well mix with the Buddhist pattern of life which the Siamese lead. Questions of superior and inferior culture are being constantly raised and the fundamental reason for the reluctance of Chinese to become Siamese is explained by the allegedly higher level of culture which the Chinese have attained and which could

not be abandoned in exchange for an inferior type of civilisation. In the United States, the majority of immigrant Chinese is more than ready, if permitted, to assimilate themselves to the American type of Western civilisation but in the Far East, with the exception of Japan (where the civilisation level favours assimilations), the Chinese emigrants stubbornly retain their national characteristics, holding native patterns of civilisation not in high esteem.

Under such basic circumstances, the problem of turning Chinese into Siamese assumes an unfortunately sinister aspect. Nationalistic sentiment, spurred by the unproportionately influential position of the foreigners, are aiming with increasing determination at the solution of the "overseas Chinese question", which either means gradual assimilation and divestment of the immigrants' holdings on the national life, or pressure to rid themselves of the excessive numbers of foreigners from China, with or without violence.

To say that the Siamese in Bangkok view the Chinese question with anxiety is an understatement. Marshal Songgram recently elucidated the position in a statement where the menace of further immigration was brought out in its true perspective. During about two years after the end of war Siam allowed a Chinese immigration quota of 10,000 per year but in fact immigration was unrestricted and many times the quota. The possibility of Chinese outnumbering the native people exists. Semiofficial estimates put the present number of Chinese (Siam born and immigrants) at 5 million. A new quota of 200 Chinese per year was instituted recently but illicit immigration continues. Control is a difficult proposition both along the long seaboard and the land frontier. Although the Chinese, in China and overseas, understand the anxiety felt by the Siamese about their national future, they still insist on practically unlimited immigration. The emigration pressure in China remains high, increased as it was by the interminable civil war and the mismanagement of public affairs in China. The stream of emigrants tries to rush in where the least resistance is encountered. Until recently, Siam appeared most submissive to Chinese requests for immigration and opportunities for business were and remain very favourable for new arrivals.

The new Siamese government has shown some energy in tackling the question of curbing Chinese influence and has moved, with caution it is true, to stem the Chinese tide. By cutting down virtually on Chinese immigration, the problem has at least been put on a less dynamic basis with some hopes entertained in Bangkok, to exert some pressure to convince the millions of Chinese in Siam to become Siamese or to face, eventually, repatriation. The interferences by the

Chinese government at Nanking, represented by an Ambassador (Hsien Pao-sao) and many Consuls and a large staff all over the country, have not been well received by the Bipul government; prone as Nanking always is to shoot off protests, the Bangkok government has rarely favourably responded and public indignation has only been aroused in Siam where a latent anti-Chinese feeling is a matter to be taken into consideration whenever China and the Chinese are under public discussion.

In order to promote the process of assimilation the government has limited the number of Chinese private schools to 100 in Bangkok and Donburi and 800 in other towns of Siam. Against the usual vociferous protests from overseas Chinese, supported by Nanking, the Bangkok government closed down many Chinese schools which conducted classes like in China and without any regard to the language and culture of Siam. A limit of 900 schools was finally considered adequate. Inspectors of the Education Minister are authorised to check up on the curricula and make sure that the schools are not used by political agents for indoctrination courses. Both Kuomintang and Communist Party agitators have been converting Chinese education in Siam into a political battleground and this situation, although somewhat improved, continues.

Inter-Chinese feuds are carried out in Siam often endangering the security of Siam. It was necessary for the Bangkok government to round up Chinese political agents and deport them. The civil war in China has had repercussions on the life of overseas Chinese who, without regard to the new surroundings and civil obligations arising from living in a foreign country, carried on a political and propaganda war in Siam as well as in other Far Eastern countries. As everywhere in the Far East, Chinese immigrants are prominent in the organisation of Communist activities and assume leading positions in the political life of a foreign nation, usually underground. The Bipul government has tried to curb such activities and has started on a scheme of rounding up subversive groups which are deported to China.

The immigrant Chinese are meeting with general hostility on the part of the native people when they try to build cells of one or another alien party and carrying on politics of their home country as if Siam was part of China. The Chinese minority being so large, a state in the state, political organisation is assumed to be their right, in spite of the Siamese government's laws. As far as publicity is concerned, the government does not interfere with Chinese newspapers publishing in Siam provided that no incitement to violence is preached. The Chuan Min, the Communist daily of Bangkok, continues publication. The alleged chief

of the Communist underground of the Chinese in Siam, Ku Kip, would be deported if the police could find him. Several hundred Chinese are currently under deportation orders, which number also includes members of Chinese secret societies and extreme rightists whose goal appears to be the absorption of Siam by Chinese immigrants or "infiltrationists" and who oppose the assimilation policy of Bangkok. These ultranationalists from China have some strong following among merchants who otherwise profess to be disinterested in politics. The terroristic activities of Chinese immigrants in neighbouring Malaya brought home to Siam the implications of the "Chinese problem" and the Bipul government is now following in its deportation policy the pattern of banishments which are presently carried out in Malaya.

The Malay Problem

The about 700,000 Malays in the four southern provinces of Siam (the ancient Malay state of Pattani) hold fast to their Islamic faith, their Malay language and culture; efforts at assimilation have been largely futile. As the people in the Pattani district live together in a community with relatively few Siamese among them, the various Siamese governments could never expect much success when trying to turn them into Siamese. Morally, the approach of Bangkok to the Pattani problem was often reprehensible. The progress made by Malays in British Malaya was not equalled by the Malays in Siam.

Under the Bipul government many reforms are now promised and the forceful assimilation policy is to be relaxed. Malays will be granted more liberties in regard to the practice of their faith and native customs, and they will be allowed to enter the armed forces and police of the country. The movement in Pattani to secede from Siam and join the Federation of Malaya is frowned upon in Kuala Lumpur although a pan-Malayan propaganda, which visualises the union of most of Indonesia with Malaya, is not losing sight of the unemancipated Malays in southern Siam.

Political & Economic Reforms

As a constitutional monarchy Siam is ruled by either a political party which has gained the majority in national elections or by a military group. The three preceding governments before Marshal Bipul Songgram assumed again power were party governments of more or less conservative political complexion. The cabinet of Nai Pridi Phanomyong which was followed by two weak governments (the Thamrong and Aphaiwongse) took over the reins after the war when Marshal Bipul had to resign, compromised as he then appeared as an ally of Japan. Inefficient management

of the affairs of the nation and considerable graft eventually brought again the military into control of the political life of the nation with the Marshal once again the recognised leader of the Siamese. With the monarch—living in Switzerland—being only a figurehead, Marshal Bipul virtually rules the nation and has the support of the great majority. He is devoted to his people and a sincere patriot; even his enemies do not deny him admiration.

To introduce democratic political reforms in Siam the illiteracy of the masses has to be combatted and the productivity of the people to be expanded. Without a man like Marshal Bipul conditions in Siam, political and economic, would deteriorate. His government has a number of development plans under consideration while promotion of commerce is encouraged. The building of factories and the rehabilitation of communications in the country, mainly the railways, are progressing with more Siamese merchants and business men taking an interest in the economic life of the nation. Liberal trade and exchange regulations have attracted much foreign business to Bangkok which thus was developed to an important entrepot in the Far East.

Political activities are encouraged by the government as long as they do not aim at the overthrow of the monarchy; Communist propaganda is permitted and the vernacular and foreign press is under no restraint.

Foreign trade is promoted by the government who only a few weeks ago were compelled, for reasons of conservation of exchange, to introduce

* * *

Commercial & Financial

Exports of Siamese agricultural and mining produce have conspicuously improved during last year and the prospects for 1949 as regards higher shipments appear favourable in the light of current ocean loadings. Import requirements for machinery and capital goods are on the increase with the Siamese government trying to obtain, especially for the rehabilitation of railways, supplies from Britain. Current Anglo-Siamese trade negotiations have satisfied the Bangkok government who are hopeful of larger shipments of railway equipment from British manufacturers.

There is a political significance also in the trade talks which have turned out to the satisfaction of Siam; on account of the disturbances now combatted by the British forces since over 7 months in Malaya the co-operation between Bangkok and Singapore and Kuala Lumpur has become essential. From the Siamese point of view the danger of internal unrest in Malaya could easily extend to Bangkok and the countryside as a large group of alien (Chinese) political agents and com-

limited import control. An open exchange market is operated in which the authorised banks can participate. Foreign investments are officially encouraged and restrictions imposed on private enterprise are few. There is no discrimination against foreign business. U.S. business men have publicly acknowledged that Siam constitutes one of the few remaining countries where the integrity of foreign investments can be guaranteed. The possibilities for investments in a tropical country are however limited; nevertheless, in Siam foreign capital may find opportunities for development of industries and exploitation of natural resources, agricultural and mineral, which could absorb within a short period several hundred millions of U.S\$. Flight capital from China has arrived in Bangkok and part of it has been put to work in Siam. New British investments have been under study.

Siam is trading with the whole world, mainly with the sterling area. After the war trade with the U.S. has greatly expanded and in recent months barter with Japan is again bringing the two countries closer to each other.

The standard of living of the population has increased since before the war and supply of all consumer goods, as far as they are in demand in a tropical country like Siam, is ample. A relatively high degree of prosperity exists while the national economy is soundly based; on trading account, Siam produces an increasing export surplus. Development plans and the extensive program of rehabilitation and modernisation of communications are, however, bound to bring in more exchange and trade controls.

Reports from Siam

Communist sympathisers is organising overseas Chinese for future action against the Siamese government. Furthermore, many Chinese agents have crossed, via Siam, into Malaya where they take part in the campaign against the legally constituted British and Malay authorities. Closer military co-operation between Malaya and Siam is therefore vital for both countries and improved security liaison has recently been established.

It is in the British interest to strengthen the position of Siam internally and to assist the government in rehabilitating communications and in building of more industrial enterprises. As, however, capital goods cannot as yet be freely exported from the U.K., the Board of Trade in London had recently to reconsider its export quotas for Siam and, because of the above mentioned reasons, agreed to increase quotas substantially. Thus, Bangkok will find itself shorter of sterling than at any time after the war and sterling will become increasingly harder for the Siamese. The largest and most valuable export

produce of Siam remains rice which was exported before the war to a quantity of about 1 million tons while for 1949 export shipments are programmed for 800 to 850,000 tons (of this exportable surplus for the current year 25 to 30% is glutinous rice).

Other export produce of Siam includes:—salt, tapioca flour, copra, coconut oil, peanuts and peanut oil, tallow, castor seeds and oil, maize, unrefined sugar, sago, pepper (white, black), peas (green, white, red, black), sesame seeds, soybeans, ground nuts, lotus seeds, onion, garlic, chilli; tin, wolfram, antimony, lead; teak and other tropical timber; rubber; hides and skins of snakes, cows, buffaloes, deer, wild animals; seedlac, shellac, sticklac; cow and deer horns; raw cotton, kapok.

Exports of niello silverware, (a Siamese specialty); gems, precious and semiprecious stones, pearls and various articles of native handicraft jewellery bring large amounts of foreign exchange.

Other industries manufacture only for domestic requirements. A Siamese moving picture company, the Bangkok Film Co. Ltd., may ship its technicolour films abroad.

Communications.

Shipping communications are steadily expanding with many direct routes connecting Bangkok with Europe and America. Far Eastern routes have increased; several shipping companies, particularly the Indo-China Steam Navigation and the China Navigation Co., both British companies, maintain regular runs between Siam and Hongkong (charging HK\$60 for general cargo per ton of 20 cwt or 40 cub. ft.). Coastal shipping in the Gulf of Siam and to Singapore is carried on by many companies; the Siamese company of Thai Maritime Navigation is increasing the frequency of its services which terminate at Singapore but may soon be expanded to other Far Eastern ports, including Hongkong; the Siam Gulf Line connects Bangkok with Singapore; the Straits S.S. Co., and several smaller shipping firms also run coastal and Gulf services. Connections between Bangkok and Europe via Suez are maintained by the Ben Line, the East Asiatic Co. Ltd.; between Bangkok and the U.S. West and East Coasts by Isthmian S.S. Co., and Salen-Skaugen Line; between Bangkok and South Africa, via Indonesia, by Royal Inter-ocean Lines.

The port facilities are fully adequate for the present volume of inward and outward cargo. Most arriving ships discharge cargo at the new port of Kohsichang while loading is done at the old Bangkok harbour or also at Kohsichang.

Air transport connections are excellent. The airfield, at Don Muang, requires however modernisation in

order to cope with the increasing air traffic. The airport is operated by the Far East Airport and Airways Co. whose duty it is to bring Don Muang up to the standard required today of an international aerodrome. Delay in the delivery of construction materials from abroad has been responsible for an unsatisfactory state of runways which must be rebuilt and extended. The Royal Air Force are using Don Muang under an Anglo-Siamese treaty stipulation but have found the condition of the airstrip prejudicial to safe operations.

The following air transport companies use Don Muang for scheduled flights: BOAC, Pan American World Airways, the Dutch KLM, Air France, Braathens SAFE, and the two Siamese companies of Siamese Airways Co. Ltd., and Pacific Overseas Airways Siam Ltd. The two Chinese companies of CNAC and CATC connect Bangkok with Hongkong. Regular air connections are maintained between Bangkok and Europe (via India), Hongkong, Saigon, Shanghai, the U.S., Australia. Frequent flights connect Bangkok with Singapore and Penang. Domestic air transport has been well developed by the Siamese Airways Co. All larger towns in Siam are connected with Bangkok by scheduled S.A.C. flights.

Exchange Markets

All foreign currencies, drafts and TT on foreign countries are freely quoted in the open market. Note and TT rates are daily published. Last week's TT rates on London, New York, and Hongkong were respectively baht 61.95; 19.95; and 3.88. The unofficial sterling/dollar cross rate moved between US\$3.10 to 3.12 and the unofficial Hongkong/New York cross rate (which is also daily published) was between US\$5.12 to 5.15. Pound notes and US notes are cheaper than TT but Hongkong notes often quote at par or even higher than TT Hongkong.

The rates in Bangkok are usually influenced by the developments in

the free exchange market of Hongkong and there are close relations between these two free markets in the Far East.

Malayan currency notes are, next to the baht, a medium of payment among some merchants; Hongkong notes are also frequently encountered especially in Siamese-Hongkong commercial transactions. All Far Eastern currencies have a market in Bangkok, mainly Hongkong and Malayan dollars, Indian and Burmese rupees, Indochina piastre, Indonesia Nica and Java guilders.

Gold is traded in various forms, troy ozs, South Chinese or Hongkong taels, and Siamese baht weights; quotations are always given per baht weight of 15.244 grams. (2.0404 baht weight per troy oz, and 2.4796 baht weight per Hongkong tael of 37.799 grams). The cross rate per oz has been moving during recent weeks above US\$51 to 53, while the cross rate per Hongkong tael was from HK\$315 to 330. Gold prices are usually in excess of Hongkong unofficial quotations. Bangkok offers only a small market for domestic consumption (hoarding of bullion and ornamental requirements); it serves mainly as an entrepot for gold shipments which are distributed to other Far Eastern centres and to India. Most gold business in the post-war world is, on account of the artificial official price maintained by the U.S. Treasury and therefore by the International Monetary Fund, carried on without official registrations; smuggling is the rule.

The note issue of the Bank of Siam in November 1948 totalled 2,244 million baht in circulation and 80 m. in the banking department. Against this note issue the State Bank held the following amounts (in million baht): Government securities 775, other securities 147, foreign securities 631, gold bullion 769, a total of 2,323 million baht.

At the open market rate the note issue of the Bank of Siam equals only HK\$578 million (compared with over HK\$800 million in Hongkong).

Economic Developments in Siam

The trend toward expansion of Government control of Siam's trade and industry was further evidenced during the final months of 1948, notwithstanding the fact that economic progress was marked by the healthy recovery of private trade, in direct contrast to a continued lack of progress in the rehabilitation of those economic services for which the State itself is accountable.

The Economic Survey Committee, created under Cabinet resolution of May 5, 1948, submitted in September last its report to the Council of Ministers. The inadequacy of the report is apparent in that it attempts to define those economic factors which should

be surveyed in order to determine the prospects for accelerated recovery and economic improvement rather than furnishing a basis for the immediate undertaking of such a survey. Of the 18 subjects covered, development of irrigation, silviculture, fisheries, hydroelectric power, and communications would appear to be among Siam's most essential needs. (In this connection it should be noted that a United States company is expected to conduct a hydroelectric survey.)

Other plans receiving publicity included a 5-year program drafted by the Fisheries Department for the development of an efficient fishing industry. Large quantities of farmed

fish are currently being imported. Various War Veterans' Organisation's schemes, ranging from construction of several large cold-storage plants to a proposal for processing of powdered bananas, were announced.

Among concrete developments occurring during September were the printing in Bangkok of the report of the FAO team which visited Siam in the early part of 1948; the arrival on September 22 of a six-man commission from ECAFE for a brief study of Siam's major economic problems; and the final approval of the national budget for 1948. Although no information has been made available as to the budget's provisions, a fourth version which was prepared for submission to Parliament estimated that more than one-fifth of the entire revenue will be derived from State monopolies, and almost one-fifth from rice exports.

The approval of Siam's application for membership in the International Monetary Fund and the World Bank initiated considerable discussion in Government and business circles on the question of exchange rates. Siam and the Fund must agree on an initial par value for the currency. It is not known what rate Siam will communicate to the Fund as its par value with the gold dollar, but in general there is a feeling that a change is likely which may be more conducive to monetary reform and stabilisation of the value of the baht. Moreover, the Siamese must cover a subscription equal to the established quota of \$12,500,000.

A high export level was maintained through September. A total of 70,266 tons of rice was shipped, of which amount the United States purchased 16,334 tons for approximately US\$2,640,000 under the China-Relief Program. Rubber shipments to the United States amounted to 5,039 long tons, and to Malaya to 1,865 tons. Secondary exports to the United States were valued at \$589,371 in September, compared with \$319,527 in August. Important commodities in this trade were: Shellac (\$294,094); precious and semiprecious tones (\$101,152); and pepper (\$119,176).

It has been reported that the Royal State Railways are seeking to employ an American adviser to assist in rehabilitation of the railway system. This vital segment of the economy has shown almost no recovery from war-time bombing, and is faced with many problems which impede efficient operation.

New regulations are now under consideration for air lines not maintaining regularly scheduled service in Siam. These regulations are reported to have been accepted in principle by the Cabinet Council, and are being referred to the Legislative and Judicial Council for consideration before publication in the form of Ministerial Regulations.

Budget Provisions

The Siamese Budget Estimates Act for 1948, enacted by Parliament on September 30 and approved by the Supreme Council of State on October 5, makes provision for expenditures of 1,848,193,464 bahts, against revenues estimated at 1,666,094,600 bahts. Estimated expenditures and revenues for 1947 were 1,171,200,000 bahts and 1,100,000,000 bahts, respectively, whereas in 1937-38 total expenditures amounted to 132,000,000 bahts, against revenues of 110,600,000 bahts.

Expenditures for 1948 are divided into three categories, namely: Ordinary, fixed at 678,927,109 bahts; extraordinary noncapital, 987,161,384 bahts; and extraordinary capital, 182,104,971. Ordinary expenditures provide 147,291,185 bahts for the Ministry of Defense; 108,893,678 bahts for the Ministry of Interior; 81,971,730 for the Ministry of Communications; and 88,266,704 for the Ministry of Education. Other provisions include 30,325,187 bahts for the Ministry of Public Health; 24,103,242 bahts for the Ministry of Agriculture; and 58,654,316 bahts for the Ministry of Finance.

Extraordinary noncapital expenditures make provision of 35,845,100

bahts to cover purchases for military purposes, and 8,000,000 bahts to defray expenses for special service of the Ministry of Defense. Other items in this category are 550,000,000 bahts for temporary special salary increases; 88,973,874 bahts for expenses in connection with the control and distribution of rice; and 117,300,000 bahts for redemption of Treasury bonds and recall of notes from circulation.

Extraordinary capital expenditures include, among other items, more than 90,000,000 bahts for railways, nearly 15,000,000 bahts for shares in the Siamese Airways Co., Ltd., 16,642,964 bahts for a reserve fund for highway projects and for highway construction, and 13,776,456 bahts for irrigation works. Agriculture, power plants, weaving factories, transportation, co-operatives, and the Don Muang Airport also are allotted funds in lesser amounts.

The sources of estimated revenue for the year comprise the following items: Direct taxes, 56,370,000 bahts; indirect taxes, 613,485,200 bahts; excise, 30,587,003 bahts; State commercial enterprises, 369,479,978 bahts; fees, fines, and licenses, 61,145,334 bahts; and special revenue 522,100,000 bahts.

Communism. Sometimes it is intertwined with one or the other of these movements.

Migrating to Southeast Asian countries to make money (which they remit or take back with them to their Chinese villages), the Chinese make little effort to identify themselves with the native communities. Because of their diligence, business acumen, and willingness to live thriftily, they often virtually monopolize trade and industry. They live clanishly. They organize their own schools, where literacy is taught in Chinese rather than the local languages. They establish their own congregations, or governments, within the existing governments.

The Asian governments compare these activities with the extraterritoriality which China five years ago eliminated at home. Extraterritoriality gives a citizen of one country extraordinary legal, business, and educational rights in the country of another. In several countries—Indo-China, Siam, and Burma particularly—native leaders have expressed concern lest China eventually absorb them. They actually talk of overland invasion. China at present is too pre-occupied with civil war to make this attempt, they admit. But they cite statements of Chinese leaders from the present back through the years laying claim to these countries as part of China's ancient empire.

It is significant that the Chinese Government possesses a cabinet minister and department devoted solely to the affairs of overseas Chinese. The government is mindful of the enriching power of the millions of dollars in foreign currency which pour annually into the hands of relatives from Chinese abroad.

TIN OUTPUT OF SIAM

Improvement in Siam's tin production since the end of the war is evidenced by the total production for 1948 of 4,200 tons—about 2,800 tons above last year. The record postwar monthly production was 500 tons in October. The production figure has been mounting since the middle of last year. Up to the end of October total production was 3,800 tons.

The improvement has been attributed to about half of the former mining lessees going into operation again. Nearly all of the 40 prewar leases have been returned to their former British and Australian holders. A number of the mines are waiting for repairs to war-damaged equipment to return to operation. The area of greatest production at present is Buket, from where tin is shipped directly to smelters in Singapore and Malaya. Although the prewar yearly record production was 15,000 tons, government officials consider the 1948 figure satisfactory in view of rehabilitation difficulties. Total production was 1,401 tons in 1947.

The Mines Department is making monthly reports to Washington on the country's production as Siam is a member of the international tin production organization. The allocation of tin ore however, is not under international control. The only tin metal smelted in Siam during the war has all been allocated and exported.

In Kanchanaburi province is a government operated tin mine which promises high output for 1949.

US RICE PURCHASES FROM SIAM

American expenditures for rice in Siam have totalled well over US\$40,000,000 since the end of the war. The U.S. Commodity Credit Corporation with offices in Bangkok is the official agency for rice purchases by the US government.

The amount of foreign exchange made directly available to the Siamese Government through 1948 was approximately \$39,000,000. Several millions more were expended by the United States for gunny sacks, transportation and other expenses incidental to the movement of the cargoes. Total weight of rice purchased since the program started in 1946 was 284,428 metric tons. Most went to China, with 170,000 tons sent to that country under the United States relief program. Smaller amounts were shipped to Korea and the Ryukyus in 1948, to Korea and the Philippines in 1947 and to the Philippines in 1946. Breakdown by years since first purchases were made in 1946 showed a sharp rise during the past year. Totals were: for 1946, 54,000 tons; for 1947, 42,000 tons, and for 1948, 188,428 tons.

SIAMESE EXPORT STANDARDS

Because of the large amounts which exporters in Siam had to pay last year as penalties for shipping goods not up to the qualities demanded, and as a measure to gain a respectable re-

DETERIORATION OF POSITION OF OVERSEAS CHINESE IN FAR EASTERN COUNTRIES

The position of overseas Chinese merchants in the Philippines, Indo-China, Siam, Indonesia and, to a lesser extent, in Malaya shows signs of deterioration due to the intensified nationalistic sentiments displayed by native populations. In several areas explosive conditions are developing. The supremacy of Chinese traders is resented and by legislation and self-protective measures of more or less morally defensible type the various governments of states in the Far East have made efforts to contain Chinese influence and compel the majority either to assimilate themselves, becoming loyal citizens of the new countries, or face eventual expulsion.

In a recent American survey made of present conditions of overseas Chinese in the Far East, the following conclusion was arrived at: Conditions in Southeast Asia would lead to the conclusion that Chinese immigrants will be able to live peacefully in these areas only if they become integrated, participating members of their local communities.

The governments of French Indo-China, Siam, Malaya, Burma, Indonesia, and the Philippines are restricting Chinese immigration, trade, education, and political activities. Millions of Chinese, principally from China's southern provinces, are involved. There are about 3,000,000 in Siam and nearly 2,000,000 in Indonesia. This anti-Chinese movement parallels two other tides sweeping Southeast Asia: nationalism, which has gradually gained momentum during the last two decades, and the recent upsurge of

HONGKONG AVIATION REPORT FOR JANUARY

There was an increase in January against December in arriving and departing aircraft while figures for passengers and freight showed slight declines. Inward mail increased over December, outward mail being reduced. Comparative figures for 1947 and 1948:—

	Monthly Averages		December
	1947	1948	1948
Aircraft, in	229	596	777
" out	228	594	769
Passengers, in	3,634	9,592	12,573
" out	3,179	9,382	12,870
Freight, in	26,769	42,753	56,610
" out	43,702	100,986	97,413

Freight figures in kilograms.

DUTCH AIRLINE IN THE FAR EAST

The KLM (Royal Dutch Airlines) opened a new air service between Batavia and Shanghai on September 30, 1948. For the present the service has one flight a week leaving Batavia on Thursday and arriving in Shanghai on Friday, with the return flight leaving Shanghai on Sunday and arriving in Batavia on Monday. An overnight stop is made at Bangkok each way. This new service completes the connection between New York, Amsterdam, and Shanghai, since the service

ARRIVALS FOR JANUARY, 1949

Countries	Passengers	Mails	Freight
United Kingdom via Bangkok & Ports	79	3,018	3,017
Europe via Bangkok & Ports	11	205	3,620
Middle East via Bangkok & Ports	6	95	197
Calcutta via Bangkok & China	55	398	1,727
Rangoon via Bangkok & China	33	96	9
Singapore	131	3,665	578
Bangkok	292	746	2,228
French Indo China	310	385	530
Macao	176	—	—
Philippines	1,270	337	7,260
Japan	70	495	3,422
U.S.A. via Manila & Ports	54	1,122	9,998
Honolulu	9	184	431
Australia (transshipment)	—	—	449
Shanghai	1,681	3,011	7,102
Canton	4,137	2,349	747
China via China Ports	1,626	1,209	632
	9,940	17,315	41,947

Total number of arriving aircraft: 805.

DEPARTURES FOR JANUARY, 1949

Countries	Passengers	Mails	Freight
United Kingdom via Bangkok & Ports	81	2,647	974
Europe via Bangkok & Ports	22	21	198
Middle East via Bangkok & Ports	13	—	1,824
Calcutta via Bangkok & China	99	127	1,182
Rangoon via Bangkok & China	54	2	775
Bangkok	276	344	7,178
Singapore	223	1,541	3,496
Saigon (direct)	257	206	1,326
Macao	188	—	17
Philippines (direct)	937	419	4,879
Japan via Shanghai & Ports	67	444	1,491
U.S.A. via Manila & Ports	217	1,460	1,727
Honolulu via Manila	73	49	182
Australia	—	210	—
Shanghai	1,215	2,422	26,147
Canton (direct)	5,207	2,726	17,139
China via China Ports	2,984	2,095	22,256
	11,913	14,713	90,791

Total number of departing aircraft: 799.

putation for Siamese products, the Ministry of Commerce is starting the operation of a Bureau of Standards to screen exports. Preparatory to setting up the Bureau, the Department of Overseas Trade is working on a system of standards for all principal commodities by which traders must check the qualities of their products before exporting them. The work involves examining standard checks of importing countries, drafting accurate specifications of qualities and collecting samples. Export commodities which will be affected include rice, rubber, minerals, vegetable oils and shellac.

The operation of the Bureau can only prove successful with the co-operation of merchants. Producers will have to group themselves for research to improve quality, as has been the case with the Association for the Development of the Lac Industry. This association, which was formed in the middle of 1947, has collected from its 18 shellac-manufacturer members a sum of 4,000 baht for the purchase from the United States of laboratory equipment for testing and grading shellac. The Ministry which aided in the promotion of this Association is now trying to get producers of other principal export commodities to form similar organizations.

from Shanghai to Batavia permits immediate connections at Bangkok with the Batavia-Amsterdam-New York line.

It is expected that the KLM will soon make the necessary arrangements to have their aircraft also calling on Hongkong. So far the heavy 4-motored machines used by KLM were compelled, due to financial considerations, to circumvent the Colony. The Hongkong airport regulations provide a limit to the maximum all-up weight and since the KLM are using such aircraft which would, when calling on and leaving from the Colony, have to forego full freight loading and/or the filling of all available passenger seats, the Dutch company have so far refrained from making Hongkong one of their stops. Since smaller craft will be put into service on the Indonesian-Hongkong air traffic in the near future, Dutch planes should then resume their prewar run. The necessity for Hongkong's building the projected aerodrome is further emphasized by the case of KLM's planes being unable to use Kaitak unless financial considerations of the management of KLM can be ignored.

HONGKONG SHIPPING REPORT FOR JANUARY

The tonnage of ocean ships in January compared with December showed large increases; inward tonnage was up by 11.83%, and outward tonnage up by 21.2%. River steamers' tonnage likewise increased over December, for outward tonnage by 20.2%, while inward river steamers' tonnage declined

by 17.69%. Passengers on ocean steamers in January decreased by 19.62% for inward, and 13.49% for outward passengers. River passengers outward bound showed an increase over December by 11.59% while inward passengers declined by 8.81%.

Ocean cargo arriving in January

totalled 363,190 tons, of which discharged 255,158, and loaded 107,932 tons. Against December inward cargo increased by 17.01%, while outward cargo declined by 4.21%. Monthly averages in 1948 were for cargo discharged 193,416 t, and for cargo loaded 88,098 t.

OCEAN STEAMERS IN JANUARY 1949

Arrivals					Departures				
FLAG.	Ocean Steamers.	Passengers	Passengers		FLAG.	Ocean Steamers.	Passengers	Passengers	
	No.	Tonnage.	Ocean Steamers.	Total		No.	Tonnage.	Ocean Steamers.	Total
British	94	227,301	7,717	35,470	British	98	247,463	5,968	45,884
American ...	29	139,238	3,817	3,817	American ...	29	139,291	1,644	1,644
Chinese	82	77,949	1,595	15,365	Chinese	75	64,820	644	15,520
Danish	12	40,512	958	958	Danish	10	31,105	792	792
Dutch	13	63,004	4,853	4,853	Dutch	10	51,101	4,190	4,190
French	3	15,052	639	639	French	3	14,052	360	360
Italian	1	4,360	—	—	Greek	1	4,380	—	—
Korean	1	1,808	4	4	Italian	1	4,360	12	12
Norwegian ..	25	72,889	2,016	2,016	Korean	1	1,808	11	11
Panamanian ..	11	43,191	1	1	Norwegian ...	30	79,161	1,491	1,491
Portuguese ...	3	1,139	—	—	Panamanian ..	11	44,350	—	—
U.S.S.R.	1	1,236	—	—	Philippine ..	7	12,513	37	37
Philippine ..	9	16,659	31	31	Portuguese ..	5	3,133	27	27
Swedish	7	17,942	41	41	Swedish	7	17,942	26	26
Total Foreign	197	494,979	13,955	27,725	Total Foreign	190	468,016	9,234	24,110
Total	291	722,280	21,672	63,195	Total	288	715,484	15,202	69,994

RIVER STEAMERS IN JANUARY 1949

Arrivals				
Flag	No.	Tonnage	Cargo	Passengers
British	152	102,178	6,730	27,753
Chinese	154	39,591	5,715	13,770
Total	306	141,769	12,445	41,523

Departures				
British	147	99,742	4,788	39,916
Chinese	146	37,577	3,719	14,876
Total	293	137,319	8,507	54,792

Totals for Ocean and River Ships in January:—Tonnage: 864,049 inward, 852,803 outward. Passengers: 63,195 in, 69,994 out.

Bunker Coal and Oil

In January 1949			
	Ocean Steamers	River Steamers	
Coal	8,317	1,299	
Oil	15,268	853	

Total coal bunkered 9,616 tons, total oil 16,121 tons.

JUNKS & LAUNCHES

During January 750 junks (of which 6 motor junks) were licensed, and 40 launches and motor boats also received licences for operation.

Returns of junks and launches in the foreign trade of Hongkong in January (60 tons and under):—

		Tonnage of Cargo	
		inward	outward
Dec. 1948	.....	32,702	6,547
Jan. 1949	.....	28,449	6,610
		—4,253	+63

		Tonnage of Junks	
		inward	outward
Dec. 1948	.....	130,529	123,623
Jan. 1949	.....	117,354	106,922
		—13,175	—16,701

		No. of Junks	
		entered	left
Dec. 1948	.....	1,941	1,931
Jan. 1949	.....	1,662	1,748
		—279	—191

		Tonnage of Cargo	
		inward	outward
Dec. 1948	.....	131	336½
Jan. 1949	.....	518	802
		+387	+465½

Tonnage of Launches			
Dec. 1948	.....	4,711	4,516
Jan. 1949	.....	4,892	4,763
		+181	+247

No. of Launches			
		entered	left
Dec. 1948	.....	207	205
Jan. 1949	.....	194	184
		—13	—21

Passengers:

Arrivals Departures			
Dec. 1948	.....	2,121	8,132
Jan. 1949	.....	2,443	6,051
		+322	—2,081

(The accuracy of passenger returns is doubted; arriving passengers in many cases are not included in the statistics as evasion by junk owners and travellers is practised.)

Cargo inward decreased in January. outward cargo figures were however up against December. Tonnage of vessels declined as passenger and cargo traffic do no warrant as many vessels on the run as has been the case last year.

Hongkong Imports & Exports of Air Freight for 1948

Imports		
	Quantity Kilos	Value \$
United Kingdom .	10,579	2,583,263
Australia	204	8,510
Canada	728	552,691
Ceylon	150	230,175
India	8	1,700
Malaya (British)	1,824	204,205
New Zealand ...	387	145,341
South Africa ..	—	—
West Africa	8	1,239,773
West Indies	44	3,608
Br. Empire, Other	—	—
Belgium	1	4,040
Burma	57	694,163
Central America	—	—
China, North ...	85	5,680
" Middle	124	18,285
" South	48,291	452,775
Cuba	—	—
Czechoslovakia ..	88	23,631
Egypt	87	3,188
Denmark	193	29,068
France	733	148,653
French Indo-China	98	4,484
Germany	1,633	526,102
Holland	87	212,341
Italy	142	29,520
Japan	71	10,262
N.E.I.	—	—
Norway	2,116	76,095
Philippines	47,576	1,447,851
Siam	913	120,252
South America ..	118	16,360
Sweden	46	8,378
Switzerland	29,118	25,887,397
U.S.A.	127,661	32,383,899
Total	273,530	67,221,690
Total Br. Empire	14,292	4,969,266
Total Foreign ..	259,238	62,252,424

Exports

	Quantity Kilos	Value \$
United Kingdom .	418	52,241
Australia	301	24,515
Canada	276	53,466
Ceylon	427	67,289
East Africa	4	500
India	7	14,706
Malaya (British)	509	167,880
New Zealand ...	2,516	1,776,852
North Borneo ...	16	900
South Africa	5	15,873
West Africa	217	33,357
West Indies	137	11,696
Br. Empire, Other	1,195	31,188
Belgium	470	94,370
Burma	785	51,253
Central America	68	6,736
China, North ...	30,794	392,785
" Middle	17,092	253,333
" South	294,305	3,876,923
Cuba	378	66,359
Egypt	839	59,097
Denmark	20	350
France	98	26,590
French Indo-China	4,343	93,163
Germany	149	1,100
Greece	2	330
Holland	49	167,780
Iraq	45	3,706
Italy	41	1,778
Japan	596	48,561
Korea	3	163
Norway	39	5,052
N.E.I.	175	24,595
Philippines	34,337	277,554
Siam	68,933	3,556,048
South America ..	270	38,652
Sweden	—	—
Switzerland	1,379	234,100
Syria	117	2,278
Turkey	150	8,700
U.S.A.	25,566	3,359,570
Other	264	12,127
Total	487,335	14,963,515
Total Br. Empire	6,028	2,300,457
Total Foreign ..	481,307	12,663,058

Hongkong Market Reports

February 7 to 11

Piece Goods

Buyers for Siam were strongly in the market, and support from Singapore, South Africa and the Netherlands Indies kept the market steady during the week, but this was offset by the arrival in Canton of large quantities of piece goods from Shanghai. Worsteds, black twill, etc., were dropping out of the picture with the falling off of seasonal demands.

Tsin Leung Yuk white cloth was offered at first at \$49 per piece, falling to \$47 by the end of the week. Mammoth Bird grey sheeting sold for from \$47 to \$48 at the close. Drills were steady. Little was done in black cloth. Flowered prints, and black, grey and striped poplins were in request to meet the Spring demand. Tsin Leung Yuk red cloth fell to \$59.50; bee and monkey purple cloth dropped to \$59.

Woollen Piece Goods for the Summer arrived from Great Britain and were on the market for \$17 per yard, materials with woven borders were over \$20 per piece. Buyers, however, were not anxious to buy at such high prices.

Yarn and Raw Cotton

Korea, Siam and South Africa were in the market for yarn and large sales were effected. Local manufacturers paid \$17 to \$18 per pound for Japanese artificial silk yarn for making stockings. Standing horse brand 20 counts sold at \$1360 per bale, 20 counts Kinchong at \$1320.

Raw Cotton was affected by short supply from India. A large order was placed for American cotton by local yarn mills.

HONGKONG SHIPPING (OCEAN AND RIVER OVER 60 TONS NET) ENTERING AND CLEARING THE PORT OF HONGKONG

Flag	Monthly Average, 1947				Total Jan.- Dec. 1948				Monthly Average, 1948			
	Entered		Cleared		Entered		Cleared		Entered		Cleared	
	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons
British	210.7	312231	210.2	313809	3223	4116596	3230	4085930	269.5	343050	269.2	340494
American	26.2	143118	26	142989	320	1618749	314	1606871	26.7	134896	26.2	133906
Chinese	103.2	56465	103	57201	2019	1015046	2014	1000069	168.2	84587	167.8	83339
Danish	4.8	19908	4.9	20160	100	369341	99	356972	8.4	30778	8.3	29743
Dutch	10.5	52079	10.5	52607	178	888828	177	878686	14.8	74069	14.8	73224
French	1.4	6725	1.7	6791	26	87824	27	88501	2.2	7319	2.2	7338
Norwegian	16.8	34565	16.5	34849	282	657196	281	653201	23.5	54766	23.4	54434
Panamanian	7.5	17454	6.8	15938	75	232442	77	233551	6.2	19370	6.4	19462
Philippine	4.5	9095	4.2	8906	47	43287	46	42910	3.9	3607	3.8	3576
Portuguese	1.3	838	1.3	938	71	141942	71	142083	5.9	11829	5.9	11840
U.S.S.R.	1.3	4817	1.3	4894	20	51138	19	45731	1.6	4262	1.6	3811
Swedish	3.4	9813	3.2	9505	42	115935	43	116571	3.5	9661	3.6	9714
Other .....	.04	880	.05	937	13	50669	11	46148	1.1	4222	.9	3846
Total	391.64	667988	389.65	669424	6426	9388993	6409	9296774	535.5	782416	534.1	774732

Metals

Metals from Europe were lower, and importers held back from indenting by the fear of a further fall in prices as a result of increased production in Europe. Mild Steel Bars, for instance, were quoted at £36 per ton, as compared with £43.10.0 a year ago and £37.10.0 last winter.

Copper Sheets 14x48" three crowns brand G16 stood at \$220 per picul, G18 at \$210; British plain copper sheets G18 to G22 sold at \$190, G24 to G40 fell to \$195. Rolled copper sheets, stocks being low, were offered G5 to G8 at \$285, G9 to G11 at \$290 and forward delivery at \$215. Rolled brass sheets opened steady, G5 to G8 selling at \$285 per picul, G9 to G11 at \$290, Japanese rolled brass sheets, forward delivery, were quoted at \$220 per picul, while for the British product the price was \$240. British G5 to G8 were offered at \$260, G9 to G10 at \$270. Canadian product was in demand, G5 to G6 rising to \$285. G8 to G12 being offered at \$290. **Galvanized mild steel sheets** (thin). Belgian origin, were offered at £135 per ton c.i.f. Hongkong. **Zinc sheets** of Polish and Dutch origin were in demand by Macao buyers, G5 were quoted at \$146, G7 and G8 at around \$140. **Mild steel bars** of all kinds were dull. Round bars, $\frac{1}{2}$ " to $1\frac{1}{2}$ " fell to \$50 per picul. **Tinplates**, American origin, were also dull, 200 lbs. offering at \$122, case packing at \$125. British tinplates stood at \$105.

Cement

Large quantities of Japanese cement were on the market at \$5.50 in 100 lb. packing for spot and \$105 forward delivery. Formosan cement sold well at \$6.10 per bag for spot and \$110 per ton for forward delivery.

China Produce

Tungoil was dull at the opening of the market. Obstacles in effecting transportation for North China made replenishment of stocks difficult. Standard quality was offered at \$125 per picul, rising to \$128 but with only small sales. **Teaseed oil** was sold at \$130, 4% FFA at \$155, rising to \$158. The first shipment of 2,000 tons of teaseed oil to Great Britain was practically completed; announcement of the figure for the second lot is expected in April. **Rapeseed oil** fetched \$130.50 per picul (without export permit), and \$136.50 (with permit). **Groundnut oil** was steady, Dairen product standing at \$160. **Aniseed star** was sold at \$48, improving to 51 per picul. **Ramie** started at \$169.50, but rose to \$180.

Ores

Wolfram rose in price on account of low stocks and difficulties over replenishment. Canton 65 degree rose to \$340 per picul, South Korean fetched \$335. **Tin** ingots, Singapore, were offered at \$540 per picul, rising to \$575; Canton tin rose from \$430 to \$480; China tin 40% to 50% likewise improved.

SCRAP METAL BUSINESS IN HONGKONG

The requirements of the building industry and the dockyards for more constructional steel have created an increasing volume of scrap metal business in the Colony. Imported iron and steel manufactures are expensive in comparison with locally produced steel bars and other materials made of recovered iron. A steel rolling mill here has been engaged to capacity in turning out building materials of steel and iron obtaining scrap from broken up ships in Hongkong and along the China coast. Other sources of scrap supply are small. Another steel mill is to be constructed here shortly. Shanghai financiers coming down with several ships which were acquired for the purpose of breaking them up in Hongkong.

A local British firm is at present engaged in salvaging ships along the Philippine, Indochina and China coasts with a view to breaking them up as scrap. Enormous scrap iron "resources" are to be found in many Chinese cities and the exploitation of these will constitute a major business for years to come. The majority of U.S. war surplus materials and other well-meant U.S. aid to Nanking has turned to scrap under the inept Chinese military management of officers many of whom never had any training nor experience. In and around Shanghai vast cemeteries of ex-American war and transport materials exist. Furthermore, factory equipment in many Chinese cities is obsolete to a point when scrapping it would appear as the only profitable solution to the question what to do with the mass of useless iron.

In addition to the heavy requirements of local industry as to building and other steel materials, there are also continuous orders received from abroad for the shipment of iron, steel and other metal scrap. As export licences are not easy to procure for iron and steel materials, Hongkong's entrepot business in metal scrap is curtailed. In order to increase exports of locally manufactured steel as well as re-exports of imported iron and steel (semi and fully manufactured) both the local output and imports have to be stepped up. Without adequate stocks of steel, the building and ship repairing industry of Hongkong could not operate to satisfaction and therefore every safeguard has to be taken to ensure, prior to licensing such metals for export, that local manufacturing encounters no undue supply difficulties.

COAL MINES IN NORTH CHINA

The Communist authorities operate in North China two of the richest mine districts in Asia and the biggest mines in China, viz. the Kailan and the Mentokou mines. The Kailan mines are a Sino-British enterprise but control is now fully exercised by the mining administration established by the Communist Party and the regional People's Liberation Army. The Mentokou mines were a British en-

terprise but subsequent developments, which are not clear as part of them took place during the period of Japanese occupation, brought the mines under complete Japanese administration which, upon the end of war, were taken over by the Nanking authorities who operated the mines as a state enterprise. Inefficiency of mine operations was acknowledged by the Chinese Government who, however, complained that both equipment and labour were lacking. The miners, many of whom were active members of the CP, had an interest not to see mining output exceed a certain level which was barely sufficient to keep some of the utilities and industries in North China and Shanghai going.

Last December 14, upon the surrender of the district of Mentokou to the People's Liberation Army, the mines were taken over by the incoming authorities and output was resumed after a few days' break. However, while previously the average daily production came up to 4,000 tons, the current output is only 3,300 tons, a result of insufficient and not well experienced miners at the pits and the deterioration of mining equipment which cannot be replaced under present conditions of civil war and foreign non-cooperation with North China.

Mentokou coal supplies the anthracite requirements, to some extent, of Hopei and Shantung, principally Peiping and Tientsin. The mines, situated in a 5 mile long valley, are 20 miles southwest of Peiping. They consist of 3 state owned but British developed mines and some 250 small private pits.

The Communist authorities permit barter of coal against foodstuffs with "unliberated" Central and South China. As particularly Shanghai is in great need of coal where factories and the utilities might face disruption if current low coal stocks are exhausted, the Kuomintang authorities have started the exchange of foodstuffs and some textiles against coal. On this basis, further trade between the two areas of China, one under the CP the other under the KMT, will expand.

RESOURCES AND INDUSTRIES IN NORTH CHINA UNDER NEW ADMINISTRATION

The Communist authorities in North China have taken over all formerly Nanking owned or operated national resources and industries. The process of taking over in the areas recently occupied has proved, because of the great size and the large cities, of considerable difficulty especially as regards trained staff and technicians. The new administrations, in most cases, are continuing the previous production standard but several curtailments are inevitable in such industries where imported materials are essential which are not fully available.

The properties of the National Resources Commission, a Nanking organisation, have been declared the

property of the people. One of the Commission's industrial combines, the North China Steel & Iron Corporation, was taken over by the Peiping Military Control Committee who have resumed the operation of 2 units of this Corporation, viz. the iron works at Tientsin and the steel mills at Tangshan, while the remaining 4 units are to resume partial production shortly, these units being: Lung Yen coal mines, chemical works, power plants. The same Military Control Committee also took over the Central Printing & Publishing House, a Koumintang organisation. Previous efforts made by the KMT to evacuate the plant, one of the largest in China, to Kwangtung failed as the employees opposed and also prevented any damage to the printing machinery during the period of protracted CP-KMT parleys for peace.

The Kwainan coal mines (north of Nanking) have been taken over by an interim committee under military authority and these well equipped collieries continue to produce as previously. The annual output is estimated at 1½ million tons of coal most of which used to go to Shanghai and Nanking. Coal deposits were officially estimated at 4 billion tons.

* * *

CONDITIONS IN PEIPING AND TIENTSIN

Essential commodities are in ample supply and prices, in Jenmin yuan, are fairly stable. Flour, coal, salt, cooking oil are stored up well in advance of the city's requirements. The commodity stocks which the KMT authorities had held were practically nil when the new authorities took over, however, considerable stocks of American (ECA) supplies were found in the city's warehouses which are now available to the public. In most KMT controlled areas the relief supplies from the U.S. are not distributed to the people—except where American supervision is present and strong enough to enforce its will on the reluctant squeezing officialdom.

Peiping prices are much higher than in the surrounding country where large stocks have prevented price increases for several months. The conversion of the former legal tender (gold yuan) into the present legal tender of the People's Bank exercises a financially unsound influence on the economy of the city as the large amount of old yuan notes, now converted into Jenmin yuan, must be expected to promote heavier buying. Only the further arrival of large stocks of consumer goods will counteract this influence and, under favourable conditions, might even result in a price reduction of those essentials which are in plentiful supply.

The conversion in Peiping is closed with most holders of "gold" yuan having obtained one Jenmin yuan for 10 so-called puppet yuan. A preferential rate of 1 to 3 "gold" yuan was granted to workers, students, teachers, employees but only up to 500 yuan per person. The

conversion rate of 1 to 10 has been greatly in favour of the "gold" yuan holders as the purchasing power of the two currencies, prior to the assumption of control of Peiping by the Communist appointed authorities, was about one to twenty.

Similar conditions are reported from Tientsin where peace and order have not been interrupted since the surrender of the port city to the People's Liberation army. Postal and other communications within Shantung, Hopei and other North China provinces, as well as Manchuria (North-eastern provinces) are normal.

The currency conversion in Tientsin has been completed before the middle of February with over 400 million "gold" yuan exchanged into Jenmin yuan at the rate of 6 and later 8 to one Jenmin yuan. About one third of the "gold" yuan were however converted at the preferential rate for workers, students, teachers and the urban poor at 3 to one Jenmin yuan.

The conversion started on January 17 with the People's Bank and the Military Control Committee of Tientsin (Finance Section) setting up 272 conversion stations as well as several floating stations which also attempted to explain to the people the objects of the conversion and the financial policies of the new authorities. In factories, offices, schools and workers' communities provision was made for collective money exchange. Simultaneous with the conversion the Military Control Committee brought into Tientsin very large quantities of food, fuel and other necessities which fact had a reassuring effect on the population. Commodity hoarding ceased and the abnormal velocity of currency circulation has come to an end. Price control, based on adequate supplies from the country, has been imposed over essential goods.

* * *

RESUMPTION OF SHANGHAI-TIENTSIN COMMUNICATIONS

Two ships (ss Greater Shanghai and Tangshan) have left Shanghai for Tientsin carrying flour which is to be exchanged for coal from the North China collieries. More ships are to follow and negotiations are now progressing for the full resumption of shipping between Shanghai which is under KMT control and North China which is administered by the Communist led People's Government.

Across the battle lines trade in China continues. Chinese and foreign flag ships will soon again be on regular runs to and from North China ports. Restoration of maritime and other means of transport which has now officially commenced is encouraged by the North China People's Govt.

The first barter now underway was sponsored by the Shanghai shipowners for whom Tu Yung, Chairman of the Board of National Steamship Association, and Wei Wen-han, Chairman of the Board of Shanghai Steamship Association, negotiated. The Mayors of Peiping and Tientsin, Yeh Chien-ying and Huang Ching, are deliberating with the Shanghai shipowners on the future extension of regular runs. Mail service between Shanghai and North China has been resumed with the dispatch of the two above named ships.

* * *

OIL PRODUCTION IN BRITISH BORNEO

The Shell Oil Co. is engaged, in Brunei, in northern Borneo, in the development of oilfields which may become the most productive oilfields in the British Empire. Present plans of the Shell Company indicate extensive operations centered primarily around Seria. The company expects to spend about £3,500,000 in this area within the next 3 or 4 years on staff housing projects alone, which is a clear indication of its potentialities.

A considerable amount of land drilling is being carried out at the present time, as well as a small amount of off-set drilling. All the drilling operations in this area have been most successful. In fact, oil has been struck on practically every drilling operation.

Before the war the company had already established extensive installations about 45 miles southwest of Seria, near Miri, located in Sarawak, in northern Borneo. With only minor drilling operations, Miri has lost some of its significance, due to the successful drilling developments at Seria. However, it maintains a strategic importance since it offers at present the only facilities in this area for loading oil on tankers. Sea lines extend about 2½ miles out from the shore at Miri, where the tankers load on an average of 9,000 to 12,000 long tons.

Oil tankers are unable to approach Seria. The oil must be pumped through pipe lines to Lutong, Sarawak, where the main refinery is located. From here the refined oil is pumped a distance of about 3 to 5 miles to Miri. Some refined oil and gasoline is pumped back to Seria from the pumping station at Lutong for use in the installations.

In 1947 the Seria and Miri oilfields produced 1,882,000 metric tons as compared with 940,000 tons in 1939 (all of which was from the Miri oilfields). Of particular significance is the fact that the company estimates production for metric tons. It is understood that this 1948 may total as much as 2,500,000 estimate represents total production for the whole of northern Borneo.

HONGKONG STOCK & SHARE MARKET

Trading continues in the doldrums and dividend payments have had no rate improving effect. Investors buying at current quotations secure unusually high yields—7 to 10%, on the average. Some large holders are willing to part with their stocks at current levels thus exercising a distinct bearish influence on the market. Political apprehensions, which have not been allayed, dominate the minds of some financiers in Hongkong and as the market is extremely narrow and over-sensitive the effect of a few individuals' policy sways the market away from what would appear logical: a vigorous upward movement of prices to a level consonant with the high earning results and ample dividend payments.

The Stock Exchange Committee stated: Again the Stock Market has proved disappointing. A week ago things had assumed almost a rosy tint, only to be followed by conditions of neglect. The prices of the popular leaders have all been marked down during the week, dividends failing to keep their quotations at the level they attained prior to their announcements, and this in spite of some showing a 10 per cent. return.

Volume of Business:—Total sales reported amounted to 77,360 shares of an approximate value of \$1¼ millions. a decrease of \$¾ million compared with the preceding week.

Price Index:—The Felix Ellis averages based on the closing prices of twelve active representative local stocks declined daily to 137.29 at the close for a net loss of 1.08 compared with the close of the previous week. Day-by-day his averages were: Feb. 7th, 138.31; Feb. 8th, 137.75; Feb. 9th, 137.54; Feb. 10th, 137.40; Feb. 11th, 137.29. High & low for 1949: 138.37—136.58.

Dividends:

The Directors of the H.K. & Shanghai Hotels Ltd. have recommended a dividend of \$1 per share, free of tax, from the taxable profits, and a bonus of 50cts. per share from the non-taxable profits.

The Directors of Vibro Piling Co. Ltd., have recommended a final dividend of \$1.25 net per share and a bonus of \$1.00 net per share on 64,600 old shares;—a dividend of \$1.00 net and a bonus of 50 cents net on 16,150 new shares.

The Directors of Humphreys Estate & Finance Co. have recommended a dividend of \$1.00 per share, free of tax.

Capital Increase

At an extraordinary meeting of Humphreys Estate & Finance Co. Ltd. to be held on March 8, the following increase of capital will be decided:—The Authorised capital of the Company will be increased from its present Capital of \$3,000,000 divided into 300,000 Shares of \$10 each (of which

the whole have been issued) to \$10,000,000 by the creation of 700,000 additional shares of the nominal value of \$10 each. These additional shares will be issued at such time and upon terms and conditions as the Company's Board of Directors in their absolute discretion decides.

Business Done:

Banks: H.K. Bank @ 1825, 1829; Bank of East Asia @ 138 XD.

Insurance: Unions @ 740, 710, 780.

Docks & Godowns: H.K. & K. Wharves Old @ 140; North Point Wharves @ 7; H.K. Docks @ 28, 27½, 27¼, 27½, 27; China Providents @ 19.20; S'hai Docks @ 11; Wheelocks @ 26.

Hotels & Lands: H.K. Hotel @ 15.70, 15½, 15.40, 15½, 15.40, 15½; S'hai Lands @ 3, 3.10, 3.30, 3.35, 3.30, 3.40, 3.35; Humphreys @ 14.70, 14.75, 14.60; H.K. Realty @ 2.

Utilities: H.K. Tramways @ 21, 20.80, 20½, 20.60, 20.40; Star Ferries @ 137, 136½, 136, 134, 135, 134½, 135; China Lights Old @ 15.60, 15.40, 15.30, 15, 15.10 and New @ 11½, 11.40, 11.30, 11, 11.10, 11.20; H.K. Electrics @ 40¼, 40, 39½, 39¼, 39¼, 39; Telephones @ 35½, 35.

Industrials: Cald. Macg. @ 28; Cements @ 41¼, 40¾, 40½, 40; H.K. Ropes @ 22, 21¾, 21, 21¼; Dairy Farm Old @ 43½; Watsons Old @ 63, 62, 60½, 61¼, and New @ 57, 57½, 57¾.

Stores: Sinceres @ 6.90; China Emperium @ 11, Sun Co. Ltd. @ 3.40.

Miscellaneous: H.K. Constructions (Old) 4.80; Yangtszes @ 4.

Cottons: Ewos @ 8.30, 8¼.

* * *

COMPANY REPORTS

Bank of East Asia, Ltd.

The Bank of East Asia has concluded its 30th year of business in the Colony with branches at Shanghai and Saigon. Last year's business brought the Bank the highest earnings in its history, an increase of \$800,000 over 1947. The paid up capital of the Bank amounts to \$10 million (100,000 shares @ \$100), the authorised capital stands at \$50 m. Dividend and bonus for 1948 amounted to \$8 (less tax of 10%) showing a yield of about 5.8% on the basis of the current share price of \$138 ex div. Current assets at December 31, 1948 were \$50m. against current liabilities of \$49.5 m. Loans and advances to customers were \$12.3 m. The profit made in 1948 was partly the result of the sale of some real estate; other sources of revenue were derived from interest on loans and bonds, rents on the bank building and other properties, as well as on safe deposit boxes, profits from exchange transactions and from trust business.

The profit for the year, including the amount brought forward from last year, and after paying expenses and providing for bad and doubtful debts and other contingencies, amounts to \$2,386,729 which was apportioned as follows:—

A dividend of \$6 per share on 100,000 shares—\$600,000; a bonus of \$2 per share on 100,000 shares—\$200,000; transfer to reserve fund—\$1,000,000; provision for donation to charities on bank's 30th anniversary—\$100,000; carry forward \$486,729. Total \$2,386,729. The dividend and bonus are subject to deduction of tax at 10 per cent.

Chairman of the Bank is Sir Shouson Chow; Chief Manager Mr. Kan Tong-po.

Humphreys' Estate & Finance Co., Ltd.

The amount at credit of Profit and Loss Account for the year ended December 31, 1948, amounted to \$225,043 to which added the sum of \$43,786 brought forward from last Account, leaves \$268,829 available for appropriation. This sum will be appropriated as follows: A dividend of \$1 per share (free of tax) \$200,000; transfer to provision for Taxation & Contingencies \$25,000; carry forward \$43,829.

THE "STAR" FERRY COMPANY, LIMITED

NOTICE TO SHAREHOLDERS ORDINARY YEARLY MEETING.

Notice is hereby given that the Forty-seventh Ordinary Yearly Meeting of the Members of the Company will be held at the Office of Messrs Jardine, Matheson & Co. Ltd., Pedder Street, Hong Kong, on Monday, the 28th day of February, 1949, at Noon, to transact the following business:—

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st December, 1948.
2. To sanction a Dividend in respect of the year 1948.
3. To elect two Directors.
4. To appoint Auditors.

CLOSING OF TRANSFER BOOKS.

Notice is also given that the Transfer Books and Register of Members will be closed from the 14th February, 1949, to the 28th February, 1949, both days inclusive.

By Order of the

Board of Directors.

G. B. S. THOMSON.

Secretary.

Hong Kong, February 1, 1949.

EXCHANGE & FINANCIAL MARKETS

US Dollar Market

Rates ruled steady throughout the week with the usual inquiry by gold importers and some merchant demand. Bangkok sellers were holding back waiting for better rates. Exporters offered larger amounts which were all taken up and some forward business was transacted at same rates as for immediate delivery.

Highest & lowest rates of last week:—notes HK\$516—506½; DD 517—508¾; TT 519¼—511, equalling cross rates of US\$3.08—3.13.

NOTICE

THE HONGKONG & SHANGHAI BANKING CORPORATION

Ordinary Yearly General Meeting

NOTICE IS HEREBY GIVEN that the Ordinary Yearly General Meeting of the Shareholders of the Corporation will be held at the Head Office of the Corporation, 1 Queen's Road Central, Hongkong, on Saturday the 5th day of March, 1949 at 11.30 a.m. for the purpose of receiving and considering the reports of the Directors and of Auditors and the Profit and Loss Account and Balance Sheet for the year ended 31st December, 1948, and for the election of Directors and the appointment of Auditors.

The Register of Shares of the Corporation will be closed from Friday, the 18th of February to Saturday, the 5th of March, 1949 (both days inclusive) during which period no transfer of shares can be registered.

By Order of the Board,

A. MORSE,
Chief Manager

Hongkong, 26th January, 1949.

NOTICE

A. S. WATSON & CO., LIMITED.

NOTICE is hereby given, that the Sixtieth Ordinary Yearly Meeting of the Company (since registration) will be held at the Hone Kong Hotel, Hong Kong, on Friday, 25th February, 1949, at 12 noon, for the purpose of receiving the Report of the Directors, together with the Statement of Accounts for the period ended 31st October, 1948 and to elect Directors and appoint Auditors.

The Transfer Books of the Company will be closed from Tuesday, 15th February, 1949, to Friday, 25th February, 1949, both days inclusive.

JOHN D. HUMPHREYS & SON, LIMITED.

General Managers.

Hong Kong 7th February, 1949

Exchange speculators and gold dealers were trying to arrange with local commercial banks to overdraw in Hongkong against their credits in New York thus being enabled to secure sufficient credits to buy while rates were considered low. Commercial banks are co-operating but, as far as they are members of the Exchange Banks Association, can allow overdrafts only to the limit calculated at the official exchange rate.

US notes were shipped to Shanghai but in smaller lots than during recent weeks, demand there having been saturated for the time being.

Gold Market

Highest & lowest rates per tael \$314¾—296, cross rates from US\$47¾—50. Shanghai paid from US\$50 to 56 with some curb transactions done at 60. The highest cross rate last week was recorded in American-held Tsingtao where US\$66 were obtained by gold sellers.

Gold offerings from private and various government (European and Latin American) sources are plentiful at the usual premium over the fixed I.M.F. and US Treasury price of US\$35 per oz fine. Last year's lowest open market price was about 40, fob Amsterdam, the highest prices, fob European ports of shipment, having been 49 to 49¾. Current overseas fob prices are US\$44 per oz. The sale of 12,500 fine ozs of gold by the South African Govt to a London bullion broker at US\$38.20 per 22 carats (gold to be alloyed and delivered in plates as semimanufactured gold to satisfy the I.M.F.) has stimulated gold markets abroad where it is assumed that easier supply will be the result. Other governments will be more encouraged to sell, if they so require, gold in the open markets where they can obtain, also in US\$, 25 to 30% more than from the US Treasury. The South African sale amounts to a net price of US\$41.38 per fine oz (24 carats).

Trading Reports for the Week:—

Monday Feb. 7:—Opening & closing rates \$314—313. On the fictitious forward market there was no change over interest, and on Tuesday and Wednesday also. Beginning Thursday, the change over rates were all in favour of buyers. The highest of the week 314¾ reached soon after the opening. Importers sold fairly heavy on their contracted and expected arrivals.

Tuesday, Feb. 8:—Opening & closing 312¾—310¾. Confirmed news that South Africa sold in the World free market at U.S.\$38.20 per ounce for 22 carat plates and continuous selling by importers, caused market to rule easy.

Wednesday, Feb. 9:—Opening & closing 310¾—301½. World prices affected by South African sales, importers succeeded in contracting large quantities c.i.f. Saigon at US\$46 per ounce and below. Prices suffered a heavy drop of 3%.

Thursday, Feb. 10:—Opening & closing 301—298. Change over 3 cents per tael per day. Although cash bars were in good demand by exporters, heavy forward selling by importers pulled the price down to 295½, lowest of the week recorded.

Friday, Feb. 11:—Opening & closing 297¾—307. Change over 12 cents. Cash bars heavily demanded by exporters, and with news that the International Monetary Fund may protest and stop South Africa from further selling, market recovered.

Saturday, Feb. 12:—Opening & closing 307½—303¾. Change over 4 cents. Importers renewed selling on large arrivals in Macao, and with profit taking sales, market was easier.

In the unofficial afternoon market some business transacted at 302¾.

Trading Position:—

Total cash bars turned over during the week under review, officially 17,040 taels and unofficially 41,000 taels. Over 25,000 taels changed hands by interest hedging forward speculators, 31,500 taels exported and some for local ornamental consumption.

Imports from Macao during the week estimated at about 18,000 taels. Detailed exports were:—Canton 13,000 taels, Shanghai 11,500 taels, Amoy 2,500 taels, Swatow 1,500 taels, Singapore 2,000 taels, and Bangkok 1,000 taels.

Macao arrivals were heavy and stocks in the Portuguese Colony were on the increase. Direct re-exports from Macao to Kwangtung continued smoothly. Ready-made import licences are on offer and are being issued without restraint.

Silver Market

With better prices paid abroad, New York at 71 cents, and demand lively in London local exports appeared more hopeful. The fine oz price here came up to \$3.15. The highest and lowest prices were:—Bar Silver 3.83—3.80 per tael, Dollar coins 2.53—2.53 and Twenty-cents coins 1.90—1.85 per five coins. A few thousand taels of scrap silver were imported. Trading here continued inactive. Chinese Dollar coins minted in the third year of the Chinese Republic were quoted lower at 3.90—3.70 per coin, and in Canton these coins were dropping from 6.00 to 4.50. Exports of the "big and small head" dollar coins to North China continue on a small scale.

Bank Note Market

Nica guilders dropped conspicuously as the rumour spread that the Batavia Govt. considered the official devaluation of the Indonesian currency and in this connection prepared the circulation of new notes. Holders here were therefore anxious to sell which brought rates down to \$30.10—29 per 100 guilders.

More inquiry for baht notes firmed up the rate to \$25 from 24½. Piastre notes remained neglected at \$8.37½—8. Peso notes between \$250—246. Pound notes sold around \$15.20. Rupee notes

unchanged at 100 for Indian and Ceylon, and 84 for Burma rupees. Malayan notes arrived here in larger lots which brought the rate down to 1.81 from a recent high of 1.88.

Chinese Currency Markets

Hongkong rates, high and low, per 1,000 yuan:—spot notes \$6—2.77; TT Shanghai 4.30—2.50; TT Canton 4.75—2.07. The decline of the yuan last week was spectacular.

Shanghai rates, high and low, in yuan:—gold per oz 100,000—65,000; US notes 2,000—1,150; HK note 390—235. Highest price for Exchange Clearance Certificate per US\$1 was yuan 1,000. Gold crosses from 50 to 56; HK crosses from HK\$4.80 to 5.20 (US\$19.23—20.83).

Canton highest & lowest rates, in yuan:—HK note 432—186; TT Hongkong 485—210.

Swatow and Amoy quoted gold from yuan 55 to 95,000, HK notes 175—385, US notes 960—1950.

North China's currency conversion was brought almost to an end with few stragglers left behind still holding some "gold" yuan. The open exchange market in Peiping quoted 25 yuan per one People's Bank (Jenmin yinghong) yuan. Prices in Tientsin and Peiping, in terms of the Jenmin yuan, remained stable but showing a trend towards rising.

Bank of Taiwan money was further appreciated in terms of "gold" yuan with 22 Taiwan yen per one Central Bank of China yuan, officially, and 18 T. yen unofficially.

* * * *

In South China a virtually free exchange and gold market continues to operate. Meanwhile the authorities—whatever that may mean under present confused conditions—talk of lifting exchange regulations; but in fact, the people have already lifted them without waiting for sanction from the confused authorities. The various trade restrictions continue to be not observed; trade between Hongkong and Kwangtung is flowing, with or without Chinese Customs acknowledgment. As long as there are buyers in Canton there will be supply, from Hongkong and elsewhere, and whatever there is available, at competitive price, to be shipped abroad is being shipped out of South China. Smuggling has become the accepted form of foreign trade in South China. Regulations contrived by the ex-government of Nanking are disregarded. There is now, and since

several months already, a virtually free market for merchandise and exchange.

The rump government of KMT China is at Canton, at least that is the general supposition. Their functions exhaust themselves in competing with Li Tsung-jen's conditional surrender faction by formulating new and ever more subtle proposals. The public is quite satisfied seeing its government doing no harm to the economy of the people and exerting its efforts to no avail.

* * * *

Production & Consumption of Silver in 1948

The industrial demand for silver in the United States in 1948 reached a new peace-time peak of 110,000,000 ounces, an increase of about 10 per cent over 1947. Nearly two-thirds of the metal was used in silverware. Consumption of silver by industry in England was placed at 14,000,000 ounces, a drop of 2,500,000 from that in 1947. Canadian consumption rose 20 per cent to 4,500,000 ounces for the year. In Mexico, the use of silver in industry dropped to 800,000 ounces.

During the first eleven months of 1948 coinage of silver in the U.S. amounted to 23,055,418 ounces, compared with 25,552,082 for all of 1947. Government last year minted no silver dollars, its minting having been confined to subsidiary coinage. Mexico consumed last year 28,400,000 ounces of silver in the minting of one-peso and five-peso coins. Other countries using large amounts of silver for coinage included Saudi Arabia, 5,500,000 ounces, and Sweden, 1,000,000. In addition, Turkey received the final shipments against an order of 2,735,000 ounces negotiated in London in 1947 for coinage purposes. Also United States mints in the first eleven months of 1948 used 1,840,791 ounces of silver in coins for shipment to foreign Governments.

Silver stocks held by the United States Treasury at the close of 1948 are estimated at 2,783,700,000 ounces, an increase of 37,200,000.

Production of silver in the Western Hemisphere was estimated at 121,000,000 ounces, against 121,800,000 in 1947. Mexican output declined 3,000,000 ounces to 48,000,000 and Peru 1,700,000 to 8,500,000. Production in the United States increased to 37,000,000 ounces from 36,100,000 and that in Canada to 16,000,000 from 13,500,000.

With the United States Treasury taking all newly mined metal, imports of silver in refined and unrefined form into the United States amounted to 96,000,000 ounces, of which around 69,000,000 originated in the Western Hemisphere. Imports from Mexico amounted to about 41,200,000 ounces. Foreign coins to be melted amounted to about 11,000,000 ounces of silver.

Authorized imports of silver into India dwindled to a nominal amount, reflecting the embargo in effect. The price in India held firm at around US\$1.40 an ounce at the official rate of exchange. Internal consumption of the metal, in India, was placed at 25,000,000 ounces.

The price of silver in the New York market ranged from a high of 77½ cents an ounce to a low of 70¼ cents. Throughout December the price held unchanged at the low level.

Industrial demand in the United States, even at present high levels, is inadequate over a period of time to absorb all supplies offered without additional support. This support once again has come from the Bank of Mexico, and that bank's future policy will be the key to the 1949 market.

* * * *

LOANS FOR THE PHILIPPINES

The International Bank for Reconstruction and Development completed the preliminary phase of its inquiry into hydroelectric projects for Luzon, and entered into negotiations for a loan to the Philippine Government—up to US\$15,000,000—to finance foreign-exchange costs of two such projects. Before a loan contract can be submitted for approval of the bank's board of executive directors, the bank must satisfy itself on such matters as specifications, investment and production cost estimates, and a final market analysis.

The loan application received by the bank for the Philippine Government covers other hydroelectric projects and a fertilizer plant. As these additional projects become ready for financing, the bank indicated that it is prepared to give them serious consideration. Such additional negotiations would be subject to the bank's resources, and to the effective application by the Philippine Government of recommendations of the Joint Philippine-American Finance Com-

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

February	Gold per tael		Silver per tael	Per One Thousand Chinese Yuan Notes		T.T. Shanghai		T.T. Canton		U.S. Dollar			
	High	Low		High	Low	High	Low	High	Low	Note	Draft	T.T. High	T.T. Low
7	314¾	312½	3.83	6.00	5.10	4.30	3.50	4.75	4.40	5.13	5.15	5.17½	5.16
8	312¾	309	3.82	5.20	5.00	4.05	3.60	4.65	4.45	5.11	5.13	5.15½	5.14
9	310¾	301½	3.81	5.10	4.80	4.05	3.77	4.65	4.50	5.11	5.12	5.15¼	5.14
10	301	296	3.80	5.25	4.90	3.75	3.35	4.30	3.70	5.07	5.10	5.16	5.11
11	307¾	296¾	3.80	4.95	3.00	3.10	2.50	3.25	2.30	5.14	5.16	5.19	5.17½
12	308¾	302¾	3.80	3.20	2.77	2.90	2.60	2.45	2.07	5.15	5.15	5.19¼	5.17½

The Operations of the Department of Supplies, Trade & Industry

REPORT FOR THE FISCAL YEAR APRIL 1, 1947 TO MARCH 31, 1948

I.—SUPPLIES

Owing to world shortages and international allocation procedure, it was found necessary to continue Government importation and distribution of the following commodities:—rice, flour, sugar, butter, fresh meat; coal and coke; cotton and rayon yarn. Importation of all other commodities had been returned to commercial channels by the end of March 1947.

Food

The structure of the rationing scheme remained unaltered, although several minor modifications were made for the convenience of the public; rice, flour and peanut oil were distributed through one main distributor (Wing Wo Hing) and a group of 165 specially appointed shops, and sugar through another main distributor (Butterfield and Swire) and a separate chain of retailers. The restriction on the issue of ration cards to those who were in Hongkong by May, 1946 or could claim pre-war residence was continued; the number of cards issued remained, with small variations, at about 220,000 representing about 1,100,000 persons. Ration for non-rice ration card holders were issued through the Dairy Farm, Ice & Cold Storage Co., Ltd. and Lane, Crawford, Ltd. Ration scales as at March 31, 1948: Rice 5.6 taels per day at 54 cents per catty; Flour 1.6 taels per day at 56 cents per catty; no Peanut oil; Sugar 2 lbs. per month at 45 cents per lb; Butter 1 lb per month at \$2.

Rice:—Rice continued to be allocated by the International Emergency Food Committee, of which a Sub-Committee sat monthly at Singapore to arrange shipping programmes against actual availability of rice at the ports. Hongkong's quota for the first half of 1947 was 80,000 tons, as against 48,000 tons for the second half of 1946. Only 12,000 tons, however, were received in the first three months of the year, leaving stocks on 1st April, 1947 to 8,097 or 50 days supply at the then current ration level of 4 taels per day (the lowest level to which the ration had dropped). Although the allocation of 80,000 tons

mission concerning the conservation of foreign-exchange holdings, channeling of savings into capital investment, the conduct of a sound monetary policy, and completion of effective technical plans for economic development.

The Joint Finance Commission made a survey early in 1947 of Philippine finance and budgetary problems, its engineering consultant also submitting a survey of post-war Philippine economic development. The Philippine Government has indicated its intention of continuing with the rapid implementation of the commission's recommendations. Steps already taken in this direction include the creation of the Central Bank, a revision of the general banking laws, and the introduction of the import control law.

for six months would have theoretically permitted an early increase in the ration there was much uncertainty as to whether rice would in fact be forthcoming to fulfil the allocation, and it was likely that the allocation for the second half-year would be considerably smaller. In April, however, 10,917 tons arrived, and, although the second assumption above was justified by the increase in Hongkong's allocation of 80,000 tons for six months to only 100,000 tons for the full year, it was decided to make a small increase in the ration from 4 to 4.8 taels per day as from 18th May. Deliveries continued at a reasonable rate and it was possible to make a further increase to 5.6 taels as from 6th August, a rate which was maintained to the end of the year. The allocation for 1948 was not announced until February; it was 115,000 tons for the full year, or an increase of 15,000 tons over the 1947 allocation. Rice both from Burma and Siam then began to flow out at an unprecedented rate; in March alone, 35,000 tons were received or only 7,000 tons less than receipts for the six months June-December, 1946. In consequence stocks had risen by the end of March to over 46,000 tons and substantial increase in the ration was assured for the near future.

On five occasions during the year special bonus issues of rice were made through the rationing system, totalling 14½ catties per person or about ½ tael per day on average.

Rice received during the year came from Siam, 57,093 tons, Burma, 42,920, Egypt, 12,900, a total of 112,913 tons.

Arrangements for the purchase of Siamese rice were made by the Ministry of Food's Agent in Bangkok, the Siam Rice Agency acting as shippers. On the whole there was an improvement in qualities, except for a bad period during August/October when rice received was very much below the grades purporting to have been shipped; while generally the percentage of 100% broken and glutinous rice shipped was excessive. Towards the end of the period there was a considerable reduction in losses in transit which were particularly heavy during July/October, averaging about 7% against an average over the whole year of 4½%. Closer liaison was maintained with the Rice Agency than in the previous year, a factor which was responsible for the improvement in results. Even two-and-a-half years after the Ministry of Food, through the Rice Agency, began to handle Hongkong's supplies of Siamese rice the precise commercial relationship between the Ministry and its agent on the one side and the Hongkong Government on the other has not been clarified.

Arrangements for the purchase of rice from Burma, where the Agricultural Marketing Board is sole shipper, were on a much sounder basis and worked more smoothly. On the other hand the normal grade of Burmese rice is not popular in Hongkong, being too starchy.

The Government of Burma agreed to ship as high a proportion of the 1948 allocation in a special grade (Sughandi) which closely resembles Siamese rice.

Egyptian rice also was purchased through the Ministry of Food. It is not dissimilar to Burmese rice and has a small admixture of salt which is used as a preservative in Egypt's dry climate. It was rather unpopular.

No local rice was bought for cash but certain barter transactions were entered into, 803 tons of imported rice (in particular, glutinous rice which could not be issued through the ration) and 142 tons of flour being exchange for 1,020 tons of local rice, the bulk of which was issued as heavy worker's ration.

The price of rationed rice had been raised from 33c. to 44c. per catty at the beginning of March, 1947, the price being an average based on an allocation of 35,000 tons from Siam at about £29 per ton and 45,000 tons from Burma at £33. 6. 8. In fact, during the first 5½ months of the year a higher proportion was received from Siam than from Burma (23,000 tons against 17,000 tons) and although a further 4,400 tons had come from Indo China at £35. 10s. per ton, it was possible to reduce the price to 40c. as from 18th May (the date on which the ration was first increased). At the beginning of September, however, the Siamese price was advanced by £7 per ton, while it was also necessary to take into account the allocation of 13,000 tons of Egyptian rice at £44 per ton. The retail price was accordingly raised from 40c. to 48c. per catty on 4th November. Further increases of approximately £5 per ton were made by both Burma and Siam in respect of their 1947-8 crops, and it once again became necessary to raise the retail price, on this occasion to 54c. per catty as from 1st March. This increase in price from 33c. to 54c. in the course of 12 months was severe, but, as the International Emergency Food Committee was concerned only with allocations and considered prices outside its terms of reference, and as there was a sellers' market and prices of Burmese and Siamese rice were still below the world market prices, if one could properly speak of a world market, protest could only be ineffectual. It is probable, however, that rice prices have now reached their peak.

Flour:—Supplies of flour continued to come from Australia on Government account against the United Kingdom Ministry of Food's bulk contract. Stocks of flour at the beginning of the period were 3,831 tons against a theoretical maximum monthly consumption of 4,400 tons. During 1946 shipments were made in full shiploads of 8,000 to 9,000 tons; besides using scarce freight, this practice led to irregularity of supplies, there being always the danger of serious overstocking if consumption fell off suddenly, as it had a tendency to do, or of running out of stock if ships were spaced too widely and shipping delays occurred. It was, therefore, suggested that there was adequate liner tonnage available to carry all requirements in parcels of 2,000 to 3,000 tons and arrangements were made accordingly. Even so, stocks rose to an un-

comfortably high level at the end of September, while a considerable delay in resuming shipments later in the year led to shortages in December and February. On two occasions in each month it was necessary to substitute rice for the flour ration.

The flour ration was 3.2 tael per day at the beginning of the period and was successively reduced as the rice ration was increased, the total cereal ration remaining at 7.2 taels throughout. The ration at the end of the year was 1.6 taels. The price of Australian flour was raised on two occasions during the year, and the retail price accordingly increased from 40c. per catty to 56c. per catty. It is probable that flour prices, like rice prices, have now reached their peak.

Peanut Oil:—A small residue of stock remained at the end of Mar. 1947, and no further supplies were coming forward. The ration of $1\frac{1}{2}$ catties per month was discontinued after May. This caused no hardships as free market prices had by then fallen almost to that of the ration price.

Sugar:—Stocks at the beginning of the year represented about five weeks supply at full consumption based on the allocation of 20,000 tons. The greater part of the allocation was in the form of raw sugar from Mauritius, only a small quantity of 1,500 tons for the Ginger Preserving industry being supplied in the shape of white sugar. Supplies arrived regularly and a ration of 2 lbs. per person per month was maintained until the last quarter when shortage of shipping space caused short shipment of over 3,000 tons of 1947 allocation. In consequence it was not possible to issue a ration in December. Arrivals were resumed at the beginning of January and the ration was increased to 3 lbs. in respect of that month. Stock at the end of year was very satisfactory at about $3\frac{1}{2}$ months supply.

Butter:—Hongkong's allocation of butter for 1947 was 428 tons, the whole of which was imported on Government account through established importers. This represented only about two-thirds of normal pre-war consumption in spite of the greatly increased population. In addition to the ration of fresh butter made available to holders of non-rice ration cards, supplies of both fresh and tinned butter were issued on the free market at controlled prices through a limited number of retailers. Supplies were also made available to ships, and the Department handled naval supplies for which a special supplementary allocation was received. At the beginning of 1948 it was decided to return tinned butter to commercial channels, while maintaining Government control of fresh butter owing to shipping difficulties. Import licences for 125 tons were issued in consultation with the General Chamber of Commerce and Government stocks were run down to exhaustion by the end of March.

Meat:—Owing to the shortage of refrigerated shipping space and the consequent necessity of making special shipping arrangements for a minimum of 1,000 tons of meat at a time, procurement of supplies of imported meat remained in Government hands. This

afforded the incidental advantage of sharing in the Ministry of Food's bulk purchases at prices below commercial rates. The Department also continued to handle all Service requirements.

Shipments received during the year totalled 3,207 tons. There was considerable anxiety that cold storage capacity would be inadequate. Refrigerated liner tonnage was becoming increasingly available and it was expected that it would in future be adequate to meet requirements. Supplies of most types of meat were well maintained although there were temporary shortages of some; supplies were distributed through the Dairy Farm, Ice & Cold Storage Co., Ltd. and were regulated according to the quantity of local meat reaching the market.

Cloth:—A ration of Japanese cotton cloth was issued through the rice ration shops in July, prices ranging from \$1.30 to \$1.50 per yard. Out of 1,120,580 yards offered, only 616,637 yards was taken up.

Fuel

Coal and Coke:—In view of the continued shortage of coal in the area, the control on exports exercised by the producing territories, and the allocation procedure continued by the London Coal Committee in respect of American and S. Africa coal, it was necessary to retain the importation and distribution of coal in Government's hands during the year. Actual purchase and shipping arrangements (except in the case of Japan) continued to be made on behalf of the Department by the main pre-war importers (Dodwell & Co., Ltd. for the U.S.A., Jardine Matheson & Co., Ltd., Gibb Livingston & Co., Ltd. and Bank Line, Ltd. for India, Shewan Tomes & Co., Ltd. and Bank Line, Ltd. for S. Africa).

A total of 358,635 tons was imported during the year and 310,709 tons sold, stocks held by the Department increasing from 7,918 tons at 1st April, 1947, to 55,794 tons at 31st March, 1948.

Bituminous Lump:—Although opening stocks of lump and bunker coal were low at 8,437 tons, as against requirements of about 18,000 tons per month, adequate coal to prevent a recurrence of the shortage of bunkers which had been experienced during the greater part of the previous year was already on the water, the London Coal Committee having recognised the importance of maintaining adequate stocks in Hongkong. In May a record tonnage for any one month (73,037) was received and stocks reached 79,900 tons or 133 days supply, and were never again allowed to fall below 50,000 tons or 83 days. This coal was very expensive American coal, but from July onwards more generous allocations of cheap S. African coal were received from the London Coal Committee, while in the last four months India's export allocations were increased. In some respect this was a disadvantage, as Indian coal, though cheaper than American, was more expensive than S. African. In the search for cheaper coals, before S. African coal became available an experimental contract was entered into with the U. S. S. R.

for Saghalin coal at about \$25 per ton less than American. It was not very popular, being a washed slack, and, as the U.S.S.R. would not bring their price down to a level competitive with India or S. Africa, no further purchases were made. Throughout the period S.C.A.P. continued to supply 4,500 tons per month of lump coal from Japan.

Bituminous Dust:—The stock of dust coal, consumed principally by the power stations, which had been built up in 1946, had dwindled by March, 1947 to 11,570 tons or 39 days supply, and was dwindling further, as monthly supplies from Japan had been reduced as from October, 1947 from 7,500 tons to 4,500 tons in order to afford a temporary increase in supplies of bunker coal. It was not, however, possible to return at once to the previous arrangement, and the position was finally relieved by special allocations of 14,000 tons from India. Indian coal, is, however, more expensive than Japanese and it was hoped that supplies of Japanese dust would be increased in 1948. Stocks at the end of the year were still comparatively low, being 14,429 tons or 46 days supply.

Anthracite Dust:—Only 11,497 tons were received during the year, as against 21,534 tons in the previous year, and requirements of 2,400 tons per month, further supplies not being available owing to the unsettled conditions in French Indochina. Supplies were chronically short throughout the year, in spite of the considerable stocks held at the beginning of the year, and users were forced to utilise a higher proportion of bituminous coal than they would have wished. Supplies from Indochina had completely ceased by the end of the year, but it was hoped that adequate quantities would in future be secured from S. Africa, possibly at lower prices.

Gas:—15,534 tons of gas coal were received from India. Supplies were maintained except during April, when a strike in Calcutta held up supplies, and the Gas Company was forced to use less suitable and more expensive American coal.

Coke:—There was a striking increase in coke requirements during the year, consumption rising from 300 tons to 600 tons per month; this increase was largely due to the expansion of the metal industry in Hongkong. Supplies were difficult during the first seven months of the period, India, the sole source, supplying only 699 tons. More generous supplies subsequently became available from S. Africa and 3,908 tons were received in the remaining five months.

Storage:—Pressure on storage has at times been severe. The North Point yard (Mackie's Wharf) has been continuously utilised to the full, and it was found necessary to increase the area occupied in the K.M.A. Yard at Lai-chikok from 50% to 90% of the whole. Improved arrangements were made for ventilation, water was laid on and extra lights were installed. Two small fires due to spontaneous combustion occurred during the year; stocks were insured and the damage was recovered.

Discharge:—Discharge rates have been maintained at a high level and during the year H.K.\$440,717 was received in rebates on freight for despatch. All coal discharged was weighed by the Sworn Measurer and Weigher; average loss over twelve months and 57 shipments was 1.3% as against 1.7% in the previous year.

Contractors:—Up to August coal was handled for the Department by Hung Wing & Co. Irregularities on the part of a member of the former's staff led to the whole work being put in Wang Kee's hands. Discharge and handling rates were reduced on three occasions during the year.

Prices:—Although a large proportion of requirements became available from the cheaper sources, prices from these sources tended to rise by \$10 to \$20 per ton. Improved arrangement, lower freight (in the case of Japanese coal) and lower discharge and handling rates, however, made it possible to offset these increases and in some cases even allow reductions in selling prices. Prices ex yard at March 31, 1948.

Japanese dust	\$ 90
Anthracite dust	105
S. African lump	107
Indian lump	110
Japanese lump	107
U.S.A.	145
Saghalin lump	125

Firewood:—The last shipment of firewood against the B.M.A. contract with Borneo had arrived in March, 1947, and stock on hand at the beginning of April was 3,382 tons. Firewood was coming in regularly at low prices from China and it was decided to close down the section as soon as stocks had been disposed of. The greater part was sold to the R.A.S.C. and Government Stores, and the section closed down in July, having handled over 30,000 tons since liberation. In December, a ban on exports of firewood and charcoal from China caused a shortage and the local price more than doubled. It was, therefore, decided to purchase and ship 7,000 tons of firewood and 1,000 tons of charcoal ready in Borneo for immediate delivery, with a view to relieving the shortage, if it was of long duration, or maintaining an emergency reserve, if it was not. In the event the shortage lasted only one month and these stocks are still held in reserve.

Other Supplies

At the beginning of the year the Marketing Section had about \$28 million worth of miscellaneous War Office and Crown Agents relief goods in stock, the greater part being cotton and woollen piece goods and canned goods. Disposal continued steadily throughout the year. The book value of stock remaining at the end of the year was about \$8 million, the greater part being woollen vests, which had been ordered in error under the Relief Programme and of which only 106,000 had been disposed of out of a total of 1,000,000. It was proposed, if possible, to arrange for the return of these to the United Kingdom.

In addition to importing and distributing the more scarce and more essen-

tial commodities, considerable work was done in securing import allocations (either on an international or national basis) of other commodities, such as edible oils, margarine, canned meats, tin, gunny bags. Allocations of import quotas between Hongkong importers were carried out in consultation with the General Chamber of Commerce.

Transport

With the increase in berth tonnage on most lines, shipping activities have been practically confined to the charter of vessels to lift Japanese coal and the making of shipping arrangements for exports to Japan.

Discharge and storage arrangements for rice (and later flour) were made by the Rice Section with three godown companies (Kowloon Wharf & Godown, China Provident Loan & Mortgage, and Wang Kee & Co.); for coal by the Fuel Section through Hung Wing Co., and later Wang Kee & Co.; for sugar by Butterfield & Swire, and for other goods including all exports to and imports from Japan, by the Shipping and Storage Section through Tay Kee & Co. In connection with imports from Japan, by arranging for the bulk discharge and landing of all goods for re-distribution ex godown, considerable saving in charges on behalf of the importers was possible. Rates for discharge and handling were reduced by about 20% during the year. The Department handled imports brought in 230 vessels to a total tonnage of 673,935 tons and exports carried in 34 vessels to a total tonnage of 20,603 tons.

II.—TRADE

Import Control

Except in the case of goods under international (and in a few cases national) export allocation, imports were unrestricted, although the mechanics of control remained. These were simplified in December when the Superintendent, Imports and Exports, issued an open licence for all goods of sterling area origin other than for certain goods in short supply. Local allocation between importers was normally carried out in consultation with the General Chamber of Commerce, although in some cases allocations were made direct to end-users.

Export Control

Under the Prohibited Export Order, control was maintained on the re-export of two categories of goods:—(a) Commodities under allocation e.g. rice. Re-export was permitted only in exceptional cases. (b) Essential goods the Colony's supplies of which it was necessary to husband; e.g. building materials. Policy has been flexible and maximum exports have been permitted according to the current and prospective supply position from time to time.

The further categories of "Controlled" and "Restricted" Exports have been administered by the Imports and Exports Department and Exchange Control.

The special arrangements made for permitting the continuance of entrepot trade in flour and sugar made in the

previous year under the Restricted Commodities (Re-export) Order were continued and considerable trade was carried out. Arrangements for control had to be considerably tightened as many abuses developed, mostly designed to get the goods on to the local market.

Exchange Control

The Department advised Exchange Control on the allocations of foreign exchange for imports. In the middle of 1947 an attempt was made to put this on a regular basis, exchange for essentials including certain consumer goods being allocated to each importer on a monthly basis in advance. This procedure worked well for a few months but shortage of exchange forced its abandonment, and allocations were from there on confined to few essentials, principally industrial raw materials. In the case of the latter, each factory's quarterly requirements were assessed and exchange was made available to exporters against orders from the factories within these limits. Other applications were largely dealt with on an *ad hoc* basis.

Price Control

The increase in the supply of goods has generally lowered prices and eased the problem of price control, although at the same time the Department's more direct and effective weapons, competition by means of Government imported supplies, was weakened by the restriction of Government trading activities. At the same time, there was a general upward tendency on all prices in producing territories, which was accentuated in the case of American goods by the necessity of increased recourse to free market exchange in finance imports and by the advance in free exchange rates.

While increased supplies generally brought lower prices, merchants have not been slow to exploit any temporary shortage and it has been one of the main functions of the Price Control to watch for such shortages and take any possible steps to alleviate them. Again, while prices have fallen, they have not fallen as far as would have been expected; even when there has been a severe glut, prices have been maintained to a remarkable degree. One explanation of this is the excessive cost of distribution, but the main reason probably is that high margins and high prices have become so normal to both merchant and public that they are accepted automatically. It has been the policy, therefore, of Price Control, by a mixture of persuasion, threat and catoery to bring a continuous downward pressure to bear on all price margins, without going so far as to force prices so low as to drive goods underground into a blackmarket. Where goods were of an essential nature and adequately homogeneous, maximum retail prices were fixed by notification in the Gazette, but this was possible in only few cases; in the majority of instances the merchant was notified of the proper price for his goods and asked to try to ensure that

a higher price was not charged by the retailer. This had no legal force but considerable co-operation was received from the larger and more responsible merchants.

The staff of ten price inspectors secured 987 convictions against 573 offenders during the year, the total fine paid into court being \$136,155. In addition the inspectorate undertook 2,371 routine investigations into the prices being charged for unofficially controlled commodities.

Trade Promotion

Work in this direction has largely been of a negative nature, that is, restrictions of controls to a minimum and rapid operation of such controls as were unavoidable, but it has been possible to do a certain amount in a positive direction although no special section has been established for this work. Representations have been made to secure import quotas of Hongkong goods into other countries, notably the United Kingdom, and to remove any unreasonable restrictions on trade with Hongkong. Close liaison has been maintained on all trade matters with Trade Commissioners and foreign Consulates. Routine foreign trade enquiries from merchants abroad have generally been passed to the Chamber of Commerce, but have been answered direct whenever any matter of principle or policy has been raised.

Japanese Trade

One channel of trade on which considerable promotional work has been done is trade with Japan. At the beginning of the period trade was still entirely on a Government to Government basis, and the only currency acceptable to S.C.A.P. was U.S.\$s. In practice, however, all transactions with Japan were carried out on a semi-barter account between S.C.A.P. and the Hongkong Government kept in terms of U.S.\$s, the merchant being paid, or paying in H.K.\$s in Hongkong. The one exception was cotton goods which, as they were produced from U.S. cotton, S.C.A.P. would sell only for US\$ paid in the U.S.A. There was an obligation to settle any balance in U.S.\$s, but in practice the account was kept in equilibrium and neither side called for a settlement. Orders were placed and offers made on behalf of merchants on Government account through the U.K. Liaison Mission in Tokyo.

In August, 1947, Japan was opened to private traders. Entry into Japan was at first on a quota basis and Hongkong merchants were quick off the mark, filling 18 out of the first 20 British Colonial places, while four other Hongkong firms entered on the U.K. quota. Selections of firms for places on the entry quota and the handling of their entry applications was carried out by the Department. It was obvious that this move would lead to a rapid increase in trade and it was decided to relieve U.K.L.M. of the burden of handling Hongkong's trade by appointing a Hongkong agent in Japan. Mr. Galvin undertook the work on an honorary basis from August to the be-

ginning of December when Mr. Kenrick took over. Trade continued on the same basis but, with both Hongkong merchants and a Hongkong Government Agent in Japan, procedure was faster and smoother and trade grew rapidly. In November, an interim sterling payments agreement was signed between the United Kingdom and S.C.A.P. (from which Hongkong was excluded for reasons connected with exchange control policy), whereby trade was conducted in sterling with balances only payable in U.S. dollars. Hongkong however continued to trade on an open account basis, and the relative freedom made possible by this was a considerable advantage, as the interim sterling agreement did not come into actual force at once, and for a time Hongkong was conducting a two-way entrepot trade between Japan and many other parts of the sterling area, including even the United Kingdom which purchased considerable quantities of agar-agar and camphor through Hongkong.

While Japanese exchange was not "hard," in the sense of credits being inadequate to cover the importation of essentials, it has never been possible to earn enough in credits to satisfy all demands from importers, even with the transfer to the Hongkong account of a considerable volume of surplus credit earned by Singapore. Therefore, while first priority was given to essential imports such as building materials and coal, other available exchange was allocated on a value basis to all importers with a good claim to participation, without restriction as to the type of goods to be purchased. Re-export of goods imported from Japan was likewise uncontrolled, except that in order to protect S.C.A.P.'s price structure export sales for free dollars were prohibited.

During the twelve months period, a total of 104 firms imported goods to the value of U.S.\$4,639,187 and exported goods to the value of U.S.\$5,499,780 through the open account. If coal and cottons are excluded, this was considerably in excess of the normal pre-war value of trade.

III.—INDUSTRY

The Industry Section has been particularly handicapped by the temporary nature of the Department, as much of the work to be done (e.g. setting of standards, reorganisation of factories, development) requires long term planning. Its work has, therefore, necessarily been of an *ad hoc* nature.

Textiles

The Department's biggest single task on the industrial side has been the provision of cotton yarn for the textile industry. Supplies had begun to arrive from Japan at the end of 1946. At the beginning of April, 1947, stocks of Japanese 20 count yarn, purchased for dollars, were adequate for current consumption and in July London agreed to a further purchase of 12,500 bales for dollars, for delivery up to October. Small quantities of expensive Chinese high count yarn were also in stock.

The weaving and knitting industries were operating fairly steadily at about 50—60% of capacity, but from October, when a reduction in the Department's price to \$1,400 per bale (against an original \$1,600) combined with the upward movements of prices in other producing territories led to a sudden and extensive boom in the industry. For the rest of the year, the Industry Section's principal preoccupation was the endeavour to secure adequate stock to enable the industry to accept all the orders which were flooding in from South-East Asia, Africa and the Middle East. London was reluctant to agree to further dollar purchases from Japan, as it was hoped that cotton yarn might be made available for sterling under the sterling area payment agreement, but the purchase of a further 5,000 bales of 20's for dollars was agreed in December. China Textile Industries agreed to sell 2,000 bales of 20's and 1,000 bales of 32's per month, during October—December at reduced but still relatively high prices, but for various reasons deliveries were slow and the contract was not completed until April. Various schemes for securing ample supplies of cheaper yarn were considered, such as the barter of raw cotton stocks in Hongkong, but no acceptable scheme could be evolved. As a hedge against the failure of other sources certain quantities of Italian 20's were also purchased at prices below the Chinese price but delivery could not be expected before April. High count yarns did not present so much of a problem as adequate quantities were available after September from the United Kingdom.

Yarn supplies from November to March were thus continuously below the level of demand and considerable difficulty was experienced in making a fair allocation of available supplies between factories. Many large orders which would have stood the industry in good stead against a future slackening of trade had to be refused because yarn supplies could not be guaranteed.

Deliveries of cotton yarn to factories by the Department for the 12 months ending March 31, 1948 (in bales of 400 lbs): total 36,559, of which 19,833 to weavers and 16,681 to knitters. Most deliveries were of 20's (30,995 bales) followed by 32's and 10's with respectively 3,897 and 1,154 bales. Deliveries of 40's and upward: 496 bales. Not included in above figures are high count English yarn supplies.

Assistance to Industries

While the Industry section handled many miscellaneous matters connected with industry and industrial development, its work was mainly connected with raw materials and foreign markets.

(a) *Raw Materials*:—In the case of raw materials in short supply the Department has endeavoured to ensure adequate supplies; e.g. sugar for ginger preserving and tin-plate for food canning, where necessary, making allocations between the users. In the case

Criticism of the Operations of the Department of Supplies, Trade & Industry

The Director of Audit, Hongkong, has reported to the Director General of Colonial Audit on the financial operations and accounting methods of the Supplies, Trade and Industries Department of Hongkong Government which report contains many strong criticisms. The public has often expressed its dissatisfaction with the conduct of business by the Department and unnecessary secrecy, favouritism and corruption were charged. The matter of corruption has once also been brought to the attention of Legislative Council but no inquiry was instituted.

Irregularities of accounting and the unnecessary assumption of a multitude of functions are being outlined in the report of the Director of Audit. The continuation of the Department's operations is not generally approved by local business men; what controls there are to be enforced can well be delegated to other authorities (Exchange Control, Imports and Exports Dept.). That Government through the S.T. and I. Dept. operates like a commercial enterprise is a matter of concern to private business. Particularly, the control of Hongkong-Japan trade finds many critics and the majority of local merchants would welcome an early modification of this control.

of raw materials to be imported from hard currency countries a quota system for factories was organised.

(b) *Foreign Markets*.—No elaborate steps have been taken to assist in the marketing of Hongkong products but representations have been made wherever possible for import quotas of Hongkong goods where present abnormal economic conditions have restricted their entry. The principal commodities affected were preserved ginger and rubber shoes of which the United Kingdom agreed to import 2,000 tons and 2,500,000 pairs respectively.

FUTURE OF DEPARTMENT

The commercial functions of the Department are of a temporary nature, but, while policy is to return trade back to commercial channels as soon as this can be done without prejudicing supplies of the commodity in question, it appears likely that these functions will in some instances have to be continued much longer than originally anticipated, but their exact duration cannot be forecast.

Some of the Department's other functions are also temporary and will disappear with the return of normality but for others there appears to be a continuing need in the post-war world of ever-multiplying economic control and planning. In some directions work is increasing; for example, in connection with the European Recovery Programme and international economic agencies.

Japan's Industrial & Commercial Progress

(From Our Own Correspondent)

Japan is definitely creeping back into world competitive markets and those closely concerned are confident that in a comparatively short time Japanese goods will be found in overseas markets in large numbers. It is, however, evident that a number of hurdles still remain to be negotiated before the hopes of Japanese manufacturers and traders are fully realised but, assisted by SCAP and eager buying by foreign merchants, a good effect on the morale of business generally is already evident.

Britain and several of the Commonwealth countries are well represented in Tokyo by a number of experts, whose purpose is to come to some agreement with SCAP. These talks, in the official announcement, are designated as "trade reviews". This term can include and mean a great deal and it is generally felt here that good headway may result. The "talks" also include the possibility of a further one-year trade agreement with Japan amounting to something approaching £75 million.

Japanese officials who may be, it is true, somewhat over optimistic, estimate that as SCAP has declared an all-out effort to bring Japanese economy back to normal, the influx of foreign capital during the next fiscal year may run to something like US\$10,000,000. In support of this point of view informed sources declare that the foreign investment committee established under the rehabilitation programme to implement SCAP's objective, has already granted permits for imports of truck tyres as well as other commodities. The number of these commodities thus favoured is not known, but is said to include a fairly wide range.

General MacArthur has informed the Japanese Government that under the rehabilitation programme, it will still be responsible for approval of all export contracts and export licences. These, except for certain specified commodities, will no longer require prior validation by the American authorities provided, of course, that the exports concerned come within the scope of the approved programme.

All this is in accordance with the United States desire to permit Japanese merchants to trade to any level necessary to make the country self-supporting. That foreign traders should be permitted to use yen profits within Japan is also approved in principle. This would mean that foreign exporters from Japan would be allowed to work without discrimination. At the moment they must buy f.o.b. at Japanese ports, became they cannot deal in yen. Under the new ruling these restrictions would be abolished. While not yet fully implemented, firms are feeling encouraged and a number are making preparatory arrangements for resuming trade on a basis more closely allied to normalcy.

In this connection it is learned that negotiations are being carried on be-

tween foreign and Japanese firms concerned with machinery, metals, shipping, electricity, steel and oil.

Another interesting and perhaps an important indication of Japan's and, incidentally, Germany's recognition, is the admission of these two countries as members into the World Federation of Trade Unions. This World Federation of Trade Unions has, however, so strong a communistic trend that British Trade Unions felt obliged to resign recently from membership.

Trade Agreements.

Not only are trade negotiations between Britain, the Commonwealth, and Japan being discussed, as we have already pointed out, but an agreement between Japan and Burma to the value of US\$46 million is already in of this agreement will consist of rice imports from Burma. In return Japan will export textiles to Burma.

We mentioned some weeks ago that Malaya and Japan had come to an agreement which enables Japan to deliver all goods that Malaya may buy from her. On the other hand the Singapore Government will issue private licences for trading with Japan freely. The only care needed is to ensure that Malaya is not buying more from Japan than the Japanese buy from Malaya, as this would mean excess sterling in Japan and Britain would then have to redeem this excess sterling in dollars. This, of course, applies to all British markets.

The Reverse Side.

While the United States authorities are paving the way for Japan's economic emancipation within the shortest possible time, and while world dealers are tentatively exploring the future possibilities of trading with Japan, certain sections of the industrial world are gravely concerned over this question. As an example, British and American cotton manufacturers are viewing with distrust the effects of Japanese competition, which in pre-war days affected their overseas markets very seriously.

Then again, shipping circles are also distrustful. In fact the National Federation of American Shipping has definitely announced its opposition to Japan being permitted to establish a merchant fleet comparable to her pre-war one. In this connection Japan hopes to acquire a merchant fleet of at least four million tons. The American Federation say that two million tons is more than ample and that it would be "paradoxical to elevate those who have recently been restrained by supreme military effort, and who were important factors in disturbing the peace of the world, to a position in world shipping relatively superior to that enjoyed by our own American ships prior to World War II or in the foreseeable future."

Higher Production in Japan

The post-war economic rehabilitation program has shown progress during the last few months of 1948. Industrial production on the average surpassed the line of fifty percent of pre-war level; the tempo of currency inflation has become somewhat moderate; the foodstuff situation has improved with an increase in the standard rationing volume. It is most urgent to check inflation and to import foreign capital, so as to pave the way for economic rehabilitation. From this viewpoint, the government are now attempting to realise ten principles of economic stabilization, as follows:—

(1) Maintenance of priority in production of basic industries and extension of priority to the production of consumers' goods; (2) improvement in the allocation of important materials and the rationing of daily necessities in order to suppress black market transactions; (3) improvement of the method of governmental purchase of foodstuffs; (4) limitation of official prices to the most important commodities; (5) enforcement of wage stabilization measures; (6) improvement of tax collection; (7) revision of the taxation system based on balancing the burden of the people; (8) soundness of government special accounts (especially gradual reduction of the deficit in Railway and Communication accounts); (9) improvement of foreign trade control and preparation for the enforcement of exchange control; (10) proper financial control.

These principles are intended to check inflation through the increase of production, stricter control of production and distribution, and sound public finance. The most noticeable point is the enforcement of wage stabilization measures, which will check the unfavourable spiral of wages and prices from the side of wages, though it is not clear whether these measures will be realized by direct and strict methods or indirectly and elastically. At any rate, successful wage control will be most effective in the import of foreign capital. However, the enforcement of wage control is difficult, if a minimum standard of living is not secured by a sufficient distribution of foodstuffs and other daily necessities. The increase of about 15% in the foodstuff ration which was realized from the beginning of November, principally due to favourable food production and increased imports, is most significant in this respect. As regards the increase in the distribution of daily necessities other than foodstuffs, the government are planning, as mentioned above, to extend priority of production to consumers' goods. But it is undeniable that many difficulties are anticipated in a realization of this policy, mainly due to the scarcity of raw materials, fuel, electric power and transportation.

The production of coal continues below the planned volume and the attainment of the 36 million tons target for 1949 seems to be difficult. Moreover, a decline in electric power is unavoidable in the coming dry season. Although railway transportation maintains the level of 10 million tons a month, it is

questionable whether the 130 million tons target for this year will be attained. Marine transportation has taken an upward trend from last spring, but still occupies only 10% of the total volume of transportation due to the shortage of vessels. Thus, the import of essential raw materials is urgently required.

JAPAN'S INDUSTRIAL CHEMICAL PRODUCTION

The soda manufacturing industry is the axis of the chemical industry, and has an important effect upon production in various industries, such as chemical fibre, glass and food manufacturing, etc. Above all the industry is closely related to the chemical fibre industry. The production of soda ash and caustic soda attained the highest level in 1938, with an output of 245,000 tons of soda ash and 438,000 tons of caustic soda, which level was generally maintained until 1940. Since 1941, with the stoppage of the importation of overseas industrial salt, and with the demand for wartime industrial reorganization, the production of soda decreased year after year, falling to 28,000 tons of soda ash and 34,000 tons of caustic soda in the year 1945.

After the war, the reconstruction of the soda industry was planned to provide basic raw material for the manufacture of glass, rayon, staple fibre, pharmaceutical products, dyestuffs, seasoning and other commodity manufacture. Production, however, did not increase as expected, owing to shortage of industrial salt, fuel and power. Under these circumstances, the highest monthly production at present is 5,000 tons. Production of caustic soda is 11.8% compared with the highest level reached during the war. The importation of salt and the restoration of damaged facilities are urgent. The actual working capacity for caustic soda by electrolytic process increased to 6,000 tons in 1946 and 7,000 tons in 1947 as against 3,500 tons in 1945.

There are four ammonium process soda plants owned by four companies, and 35 electrolytic process plants owned by 25 companies. The production of sulphuric acid (about 75% of the production equipment belongs to fertilizer) had maintained the level of over 3 million tons annually from 1937 to 1941 (3,867,000 tons in 1937, 3,533,000 tons in 1941), with the development of the fertilizer and staple fibre industries. After 1942, a gradual decline was witnessed owing to the lack of iron sulphide ores, the business readjustment of the superphosphate of lime industry, and the superannuation of production facilities, production in 1945 declining to 476,000 tons.

Since the termination of hostilities, the chemical fertilizer industry has been counted as one of the key industries by the government, which sponsored the rearrangement and expansion of sulphuric acid manufacturing plants, and production began to increase, registering 917,000 tons in 1943 and 1,489,000 tons in 1947. About 80% of this production is consumed in the fertilizer division, and the rest is used for staple fibre manufacture.

Sulphuric acid manufacturing facilities number 57 by the catalytic process with a daily production capacity of 4,645 tons, (of which 27 are designated for reparations), and 102 of the nitric process with a daily production capacity of 7,078 tons. Excluding the facilities designated for reparations, if the other facilities are completely restored, there should be no cause for concern as to production capacity. The problem is the supply of iron sulphide ores, the principal raw material.

On the whole, as the demand for industrial chemicals will be influenced by the future development of correlative industries, the prospects for the industry cannot easily be estimated, but have to be investigated from an all-round viewpoint as a link in the national economic rehabilitation and reconstruction program. In this regard, it is noteworthy that the chemical fibre industry, which is closely related to the soda industry, occupies an important position among the country's staple export industries.

PHILIPPINE EXPORTS IN NOVEMBER 1948

Eighty vessels lifted a total of 179,766 tons, compared with 143,352 tons exported during the preceding month of October. The steady increase over 1947 figures continued with 163,331 tons exported during November, 1947, as against 179,766 tons for November, this year.

Principal exports during November, 1948, as compared with November, 1947, were:

	1948	1947
Alcohol	13 tons	—
Beer	215 "	—
Buntal fibre ..	38 "	1 ton
Desiccated coconut	7,459 "	9,185 tons
Coconut oil	4,551 "	3,632 "
Copra ..	54,696 "	90,219 "
Copra meal	5,476 "	6,467 "
Embroideries	124 "	54 "
Empty containers	295 "	235 "
Rattan furniture	863 "	523 "
Gums ..	69 "	149 "
Hemp ..	41,425 bales	65,668 bales
Scrap metal	37,017 tons	2,020 tons
Kapok	145 "	124 "
Logs and lumber	3,136,755 bft	1,324,575 bft.
Ores	23,908 tons	14,483 tons
Rattan ..	44 "	125 "
Rope	117 "	204 "
Rubber ..	128 "	241 "
Shells ..	60 "	198 "
Skins, hides	130 "	45 "
Sugar ..	12,608 "	—
Tobacco ..	29 "	21 "
Vegetable oil products	379 "	54 "
Wines ..	143 "	—
General merchandise	17,390 "	17,503 "

Business Conditions in the Philippines in 1948 and Future Prospects

Regarded as probably the most outstanding highlight of economic trends in 1948, has been the petering out of the boom in the import business and the change in business sentiment caused by the appearance of a number of uncertainties in the domestic economy as well as in the international political situation.

The year 1948 has been an encouraging business year for the Philippines in many respects. The physical gains in various lines of business have as a general rule outnumbered or outweighed the declines in some phases of economic activity. But what makes 1948 rather memorable are the bearish features whose psychological effects on the economy seem to stand out even more prominently and may prove decisive in determining the course of business during the ensuing year.

Philippine foreign trade has continued to indicate a favorable trend in the national economy after two years of heavy adverse trade balance. Imports have declined moderately in the face of steadily rising exports, thus cutting the unfavorable trade balance by about 50%.

The building boom has gained momentum, restricted only by financing limitation and even more so by the shortage of construction materials.

The business caution imparted by foreign uncertainties, the preoccupation of the people in the recurrence of the rice crisis, and the heavy inflow meantime of certain imports, specially during the first half of the year, have resulted in a virtual "buyers' strike" which hit the merchandising business particularly during the most part of the year and impaired businessmen's hopes for a better year in 1949.

The timidity of both foreign and domestic capital to go into new business enterprises or venture into new industrial projects, likewise served to slow the general rehabilitation effort and to accentuate the prevailing caution.

Adding to the business uncertainties has been the import control plan, scheduled to go into effect at the start of the new year, which a number of businessmen expect to have a restricting effect on business activity beginning next year.

Against the pessimism of a number of traders who stand to be at a disadvantage under the import control program, however, is the optimism of Philippine trade officials and other economic experts who are almost unanimous in forecasting more favorable trends in the nation's economy.

Secretary of Commerce and Industry Cornelio Balmañeda notes a trend toward the subsidence of inflation, expects less labor troubles during the coming year because of the anticipated increased production and the initial implementation of the industrial program, a high level of consumer de-

mand specially for capital goods, and new opportunities for American capital particularly.

Secretary of Agriculture and Natural Resources Placido L. Mapa looks at possibly the biggest year in the export trade yet attained during the post-war period provided price levels now obtaining will be more or less maintained, with copra and its by-products including coconut oil, desiccated coconut, etc., likely to bring close to P500,000,000 to the Philippines and sugar possibly as much as P180,000,000 from a crop of around 900,000 tons.

Census Director Leon Ma. Gonzales sees another boom in the distribution end of industry with the settlement of the United States ship strikes and the rapid restoration of domestic industries, and a continuation of the sound financial position of the country.

Summing up, the following developments in 1948 represented the outstanding highlights on the favorable side of the ledger:

1. A 60% increase in exports and a levelling off in imports by 4% which made possible a reduction of 50% in the adverse trade balance for the first 11 months of the year.

2. New record in building construction with the total value for the first 11 months of 1948 already exceeding the total for the whole of 1947 — the previous high.

3. The spectacular recovery of sugar, No. 1 pre-war industry, from a production of 400,000 tons in 1947-48 to over 700,000 tons in 1948-49 (26 cents now in operation against 41 pre-war).

4. All-time highs in hemp prices, though a slow recovery in the production of the fiber.

5. Virtual continuation of boom conditions in the copra market (prices being still generally higher than a year ago), though a decline in exports as a result of the typhoon damage late in 1947.

6. Continued rise in the finance index, with monetary circulation steadily rising to the 1948 high of P582,000,000 in October, bank deposits establishing new highs, and bank resources hitting the P1,000,000,000-mark for the first time.

7. Acceleration of U.S. dollar windfalls with war damage payments reaching the rate of P1,000,000 or more a day.

8. Pickup in real estate sales.

9. Further relaxation in the cost of living with the index receding from 391.1 in January to 368.7 in November of this year.

On the debit side may be mentioned the following:

1. Fall of investments in domestic corporations and partnerships to only over P29,000,000 in the first 11 months of the year against over P44,000,000 in the like 1947 period.

2. Decline in retail sales owing to heavy inventories and the apparent

deficiency of cash on the part of the wage-earning class.

3. Drop in stock market sales to around P20,000,000 in the 11-month period of 1948 against P26,000,000 in the like 1947 period.

4. The rice crisis which has had the effect of slowing down the general return of price levels to pre-war and cutting into the retail business.

5. Fall in exports of copra—today's No. 1 export industry—to only 562,295 tons in the first 11 months of 1948 against nearly 1,000,000 tons in 1947.

Much of the business caution prevailing during 1948 is said to have been due to the foreign political situation. This has been strongly reflected in the behavior of the stock market which has steadily declined in decreased trading, with the down-trend checked only late in the year owing to more encouraging news from both the sugar and mining industries (representing the most important sections of the securities market here) and the quieting down in the international situation.

This uncertainty in the foreign situation is understood to have also been reflected in the cautious attitude of new capital to get into new enterprises. It has been evident in the comparative small investments put in domestic corporations, and even more so, in the timidity of foreign capital to come in. It was the expectation here that United States capital would virtually rush in with the passage of the constitutional amendment extending to the Americans the same rights and privileges as those enjoyed by Filipinos in the exploitation and development of the nation's natural resources and in the operation of public utilities.

An unsettling domestic factor has been the rice crisis. Back of the shortage in this No. 1 food staple were the late 1947 typhoons and floods which seriously damaged standing crops as well as stocks in warehouses. The September, 1948, flood worsened the situation with the cereal selling in the black market at around this time as high as P2.50 per ganta against as low as 80 centavos earlier in the year. The effect on the economy has been serious, unsettling business sentiment and cutting into the people's buying power for other articles.

Foreign trade during the first 11 months, valued at P1,529,155,001 against P1,326,280,402 in the corresponding period of 1947, indicates a new high in 1948, being already near the record figure of 1,500,000,000 established in 1947. Accounting mainly for this expansion has been the steady rise of exports to P640,184,655 from only P400,926,864 during the like period in 1947, according to figures furnished by Census Director Gonzales.

Imports which earlier in the year gave promise of hitting a new high, slowed down somewhat in the later months partly due to importers' reluctance to extend commitments in the face of heavy inventories, particularly in textiles and a number of other consumer goods, and to some extent, due to the United States maritime strikes. As a result, total value of imports during the 11-month period went

PHILIPPINE COAL POSITION

Coal consumption in the Philippines in 1940 was estimated at 400,000 tons, most of which was imported. At the beginning of World War II. The major consumers of coal included two cement plants, two railroads, and the Manila gas plant. Since the war, the railroads have resumed operation on a reduced basis but have converted almost entirely to oil, primarily because oil-burning locomotives were brought in by the United States Army. The Government has taken over the war-damaged gas facilities but has taken no action toward their restoration. In the meantime, the former market for

down slightly to P888,970,345 from P925,353,538 during the corresponding period of 1947.

This narrowed the gap between Philippine purchases from abroad and sales of its products in the foreign markets to the proportion of about 3-2, against 2-1 in 1947 and 4-1 in 1946.

Other outstanding highlights of this year's economic trends have been in the production end of industry. The building boom is still on, although on the third full year of reconstruction, the pace does not seem to be as spectacular probably due to material as well as financial limitations. During the first 11 months of 1948, however, the total value of new construction and repairs in the city of Manila alone rose to P75,184,144 against P61,894,645 during the corresponding period of last year. The total for the 10-month period is already higher than that for the whole of 1947 which was only P73,907,248.

In the distribution end, the rise in real estate sales has been noteworthy. A good deal of the idle funds and probably of the "windfalls" from the United States Government must have gone into real estate investment. Real estate transactions in Manila alone during November rose to P5,386,248 bringing the total for the 11 months of 1948 to P55,492,343, according to Bureau of Census figures.

(From the American Chamber of Commerce Journal, of Manila).

gas for household cooking has gone over to electricity and imported gas.

The only important coal consumer is the Government-owned Cebu Cement Co., which is using 300 tons of domestic coal per day and is about to double its capacity. It will then require a 50 percent increase in the nation's coal production, which reportedly can only be realized by a considerable investment to make the mines more efficient or an increase in the price offered for the privately produced coal.

The cement company is operating two mines for its own use, in the Uling and Danao beds near the city of Cebu. The Uling mine produced 30,443 metric tons of coal in the fiscal year 1948 and is currently producing 120 tons per day. The Government mine in the Danao field produced only 5,338 metric tons in the past year, but it is believed to be capable of yielding 100 tons per day in the future. Approximately 20 private leases also are being operated in the Danao field, but their production is irregular and does not average much more than 100 tons per day at the present time.

The Government-owned Malangas mine contains the best coal so far discovered.

ELECTRIC POWER SITUATION IN MANILA

Electric power sales of the Manila Electric Company (Meralco), in Kilo-watt hours:—

	1948	1947
January	27,301,000	17,543,000
February ...	26,021,000	17,503,000
March	26,951,000	20,140,000
April	26,871,000	19,601,000
May	28,294,000	19,241,000
June	29,216,000	17,898,000
July	31,143,000	22,593,000
August	31,993,000	23,358,000
September ..	32,012,000	23,122,000
October	33,943,000	24,755,000
November ...	32,661,000	24,502,000
December ...	34,960,000	24,725,000
Total	361,366,000	255,981,000

1941 Average: 15,316,000 kwh.

New output records repeatedly set during 1948 were again established in December. The monthly output was over 1,000,000 kwhs more than the previous record made in October, 1948; the daily record output was 1,274,932 on December 24, while a new peak of 86,400 kw was also set in December. Output for December, 1948, increased 9,235,000 kwhs, or 35.9% over December, 1947. The yearly output in 1948 increased 105,385,000 kwhs, or 41.1% over 1947.

Meralco announced that construction expenditures in 1948 were 9,400,000 pesos making total expenditures since liberation of 19,500,000. The construction programme for 1949 provides for expenditures of 15,720,000 pesos. Substantial completion of the Company's 45,000,000 expansion and rehabilitation program is expected in 1950. Completely satisfactory service cannot be expected until this programme is completed.

QUININE EXPORTS FROM INDONESIA

Indonesia's large quinine industry has reached the crossroads as a result of the growing world demand for synthetic substitutes. The question uppermost in Indonesia, the world's greatest producer of cinchona bark in pre-war days, is will quinine be completely superseded by synthetic but effective drugs. Indonesia's quinine production pre-war exceeded 90 per cent of the world output. The cinchona bark was converted into quinine partly in Java, at a factory in Bandoeng, and partly in Holland, at Maarsse and at Amsterdam. These three factories together handled 45 per cent of the cinchona bark produced in Indonesia and the remainder was sent abroad.

The Bandoeng factory, the largest of its kind in the world, is at present producing 50 per cent of the entire world output of quinine from cinchona bark.

Partially responsible for the increasing demand for synthetic quinine is the fact that various countries, finding it difficult to obtain the drug during the war, had recourse to other anti-malaria remedies.

Nevertheless Indonesia is expected to export this year 250,000 kilograms of quinine, or about one-third of the pre-war figure.